

(Pub. L. 109–304, §7, Oct. 6, 2006, 120 Stat. 1555.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
44104	46 App.:817d(c).	Pub. L. 89–777, §§2(c), 3(c), Nov. 6, 1966, 80 Stat. 1357.
	46 App.:817e(c).	

§ 44105. Refusal of clearance

The Secretary of Homeland Security shall refuse the clearance required by section 60105 of this title, at the port or place of departure from the United States, of a vessel that is subject to this chapter and does not have evidence issued by the Federal Maritime Commission of compliance with sections 44102 and 44103 of this title.

(Pub. L. 109–304, §7, Oct. 6, 2006, 120 Stat. 1555.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
44105	46 App.:817d(e).	Pub. L. 89–777, §§2(e), 3(e), Nov. 6, 1966, 80 Stat. 1357, 1358; Pub. L. 103–182, title VI, §689(c), Dec. 8, 1993, 107 Stat. 2222.
	46 App.:817e(e).	

The words “Secretary of Homeland Security” are substituted for “Customs Service” because the functions of the Customs Service and of the Secretary of the Treasury relating thereto were transferred to the Secretary of Homeland Security by section 403(1) of the Homeland Security Act of 2002 (Pub. L. 107–296, 116 Stat. 2178).

§ 44106. Conduct of proceedings

Part A of this subtitle applies to proceedings conducted by the Federal Maritime Commission under this chapter.

(Pub. L. 109–304, §7, Oct. 6, 2006, 120 Stat. 1555.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
44106	46 App.:817d(d).	Pub. L. 89–777, §§2(d), 3(d), Nov. 6, 1966, 80 Stat. 1357, 1358; Pub. L. 104–324, title VII, §746(c), Oct. 19, 1996, 110 Stat. 3943.
	46 App.:817e(d).	

The authority to prescribe regulations is omitted as unnecessary because it is already provided by section 305 of the revised title.

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AMENDMENTS

2007—Pub. L. 110–140, title XI, §1121(b), Dec. 19, 2007, 121 Stat. 1762, added item for chapter 556.

2006—Pub. L. 109–304, §8(a), Oct. 6, 2006, 120 Stat. 1555, amended subtitle analysis generally. Prior to amendment, analysis consisted of item for chapter 531 “Maritime Security Fleet”.

PART A—GENERAL

CHAPTER 501—POLICY, STUDIES, AND REPORTS

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§ 50101. Objectives and policy

(a) OBJECTIVES.—It is necessary for the national defense and the development of the domestic and foreign commerce of the United States that the United States have a merchant marine—

(1) sufficient to carry the waterborne domestic commerce and a substantial part of the waterborne export and import foreign commerce of the United States and to provide shipping service essential for maintaining the flow of the waterborne domestic and foreign commerce at all times;

(2) capable of serving as a naval and military auxiliary in time of war or national emergency;

(3) owned and operated as vessels of the United States by citizens of the United States;

(4) composed of the best-equipped, safest, and most suitable types of vessels and manned with a trained and efficient citizen personnel; and

(5) supplemented by efficient facilities for building and repairing vessels.

(b) **POLICY.**—It is the policy of the United States to encourage and aid the development and maintenance of a merchant marine satisfying the objectives described in subsection (a).

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1556.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50101	46 App.:861.	June 5, 1920, ch. 250, §1, 41 Stat. 988; Exec. Order No. 6166, June 10, 1933, §12; June 29, 1936, ch. 858, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(33), Aug. 6, 1981, 95 Stat. 156.
	46 App.:891.	May 22, 1928, ch. 675, §1, 45 Stat. 689.
	46 App.:1101.	June 29, 1936, ch. 858, title I, §101, 49 Stat. 1985; Pub. L. 91–469, §1, Oct. 21, 1970, 84 Stat. 1018.

This section consolidates the source provisions to eliminate repetition.

§ 50102. Survey of merchant marine

(a) **IN GENERAL.**—The Secretary of Transportation shall survey the merchant marine of the United States to determine whether replacements and additions are required to carry out the objectives and policy of section 50101 of this title. The Secretary shall study, perfect, and adopt a long-range program for replacements and additions that will result, as soon as practicable, in—

(1) an adequate and well-balanced merchant fleet, including vessels of all types, that will provide shipping service essential for maintaining the flow of foreign commerce by vessels designed to be readily and quickly convertible into transport and supply vessels in a time of national emergency;

(2) ownership and operation of the fleet by citizens of the United States insofar as practicable;

(3) vessels designed to afford the best and most complete protection for passengers and crew against fire and all marine perils; and

(4) an efficient capacity for building and repairing vessels in the United States with an adequate number of skilled personnel to provide an adequate mobilization base.

(b) **COOPERATION WITH SECRETARY OF NAVY.**—In carrying out subsection (a)(1), the Secretary of Transportation shall cooperate closely with the Secretary of the Navy as to national defense requirements.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1557.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50102	46 App.:1120.	June 29, 1936, ch. 858, title II, §210, 49 Stat. 1989; Pub. L. 91–469, §§3, 35(a), Oct. 21, 1970, 84 Stat. 1018, 1035; Pub. L. 97–31, §12(67) (related to §210), Aug. 6, 1981, 95 Stat. 159.

§ 50103. Determinations of essential services

(a) **ESSENTIAL SERVICES, ROUTES, AND LINES.**—

(1) **IN GENERAL.**—The Secretary of Transportation shall investigate, determine, and keep current records of the ocean services, routes, and lines from ports in the United States, or in the territories and possessions of the United States, to foreign markets, which the Secretary determines to be essential for the promotion, development, expansion, and maintenance of the foreign commerce of the United States. In making such a determination, the Secretary shall consider and give due weight to—

(A) the cost of maintaining each line;

(B) the probability that a line cannot be maintained except at a heavy loss disproportionate to the benefit to foreign trade;

(C) the number of voyages and types of vessels that should be employed in a line;

(D) the intangible benefit of maintaining a line to the foreign commerce of the United States, the national defense, and other national requirements; and

(E) any other facts and conditions a prudent business person would consider when dealing with the person's own business.

(2) **SAINT LAWRENCE SEAWAY.**—For purposes of paragraph (1), the Secretary shall establish services, routes, and lines that reflect the seasonal closing of the Saint Lawrence Seaway and provide for alternate routing of vessels through a different range of ports during that closing to maintain continuity of service on a year-round basis.

(b) **BULK CARGO CARRYING SERVICES.**—The Secretary shall investigate, determine, and keep current records of the bulk cargo carrying services that should be provided by vessels of the United States (whether or not operating on particular services, routes, or lines) for the promotion, development, expansion, and maintenance of the foreign commerce of the United States and the national defense or other national requirements.

(c) **TYPES OF VESSELS.**—The Secretary shall investigate, determine, and keep current records of the type, size, speed, method of propulsion, and other requirements of the vessels, including express-liner or super-liner vessels, that should be employed in—

(1) the services, routes, or lines described in subsection (a), and the frequency and regularity of the voyages of the vessels, with a view to furnishing adequate, regular, certain, and permanent service; and

(2) the bulk cargo carrying services described in subsection (b).

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1557.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50103(a)(1) ..	46 App.:1121(a).	June 29, 1936, ch. 858, title II, §211(a)–(c), 49 Stat. 1989; Pub. L. 91–469, §§4, 35(a), (b), Oct. 21, 1970, 84 Stat. 1018, 1035; Pub. L. 97–31, §12(67), Aug. 6, 1981, 95 Stat. 159.
50103(a)(2) ..	46 App.:1213(a) (3d sentence related to 1121(a)).	June 29, 1936, ch. 858, title VIII, §809(a) (3d sentence related to 211(a)), as added Pub. L. 97–35, title XVI, §1604, Aug. 13, 1981, 95 Stat. 751.
50103(b)	46 App.:1121(b).	
50103(c)	46 App.:1121(c).	

§ 50104. Studies of general maritime problems

The Secretary of Transportation shall study all maritime problems arising in carrying out the policy in section 50101 of this title.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1558.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50104	46 App.:1122(a).	June 29, 1936, ch. 858, title II, §212(a), 49 Stat. 1990; Aug. 6, 1981, Pub. L. 97–31, §12(69), 95 Stat. 159.

§ 50105. Studies and cooperation relating to the construction of vessels

(a) **RELATIVE COSTS AND NEW DESIGNS.**—The Secretary of Transportation shall investigate, determine, and keep current records of—

(1) the relative cost of construction of comparable vessels in the United States and in foreign countries; and

(2) new designs, new methods of construction, and new types of equipment for vessels.

(b) **RULES, CLASSIFICATIONS, AND RATINGS.**—The Secretary shall examine the rules under which vessels are constructed abroad and in the United States and the methods of classifying and rating the vessels.

(c) **COLLABORATION WITH OWNERS AND BUILDERS.**—The Secretary shall collaborate with vessel owners and shipbuilders in developing plans for the economical construction of vessels and their propelling machinery, of most modern economical types, giving thorough consideration to all well-recognized means of propulsion and taking into account the benefits from standardized production where practicable and desirable.

(d) **EXPRESS-LINER AND SUPER-LINER VESSELS.**—The Secretary shall study and cooperate with vessel owners in devising means by which there may be constructed, by or with the aid of the United States Government, express-liner or super-liner vessels comparable to those of other nations, especially with a view to their use in a national emergency, and the use of transoceanic aircraft service in connection with or in lieu of those vessels.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1558.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50105(a)(1) ..	46 App.:811 (1st sentence words before 1st comma).	Sept. 7, 1916, ch. 451, §12 (1st sentence words before 1st comma, 2d sentence words before 2d comma), 39 Stat. 732; Ex. Ord. No. 6166, §12, eff. June 10, 1933; June 29, 1936, ch. 858, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(27), Aug. 6, 1981, 95 Stat. 155.
	46 App.:1121(d).	June 29, 1936, ch. 858, title II, §211(d), (j) (words before 1st semicolon), 49 Stat. 1989; Pub. L. 91–469, §§4(2), 35(a), Oct. 21, 1970, 84 Stat. 1018, 1035; Pub. L. 97–31, §12(67), Aug. 6, 1981, 95 Stat. 159.
50105(a)(2) ..	46 App.:1121(j) (words before 1st semicolon).	
50105(b)	46 App.:811 (2d sentence words before 2d comma).	
50105(c)	46 App.:1122(c).	June 29, 1936, ch. 858, title II, §212(b)(2), (c), 49 Stat. 1990; Pub. L. 97–31, §12(69), Aug. 6, 1981, 95 Stat. 159.
50105(d)	46 App.:1122(b)(2).	

§ 50106. Studies on the operation of vessels

(a) **RELATIVE COSTS.**—The Secretary of Transportation shall investigate, determine, and keep current records of the relative cost of marine insurance, maintenance, repairs, wages and subsistence of officers and crews, and all other items of expense, in the operation of comparable vessels under the laws and regulations of the United States and those of the foreign countries whose vessels are substantial competitors of American vessels.

(b) **SHIPYARDS.**—The Secretary shall investigate, determine, and keep current records of the number, location, and efficiency of shipyards in the United States.

(c) **NAVIGATION LAWS.**—The Secretary shall examine the navigation laws and regulations of the United States and make such recommendations to Congress as the Secretary considers proper for the amendment, improvement, and revision of those laws and for the development of the merchant marine of the United States.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1559.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50106(a)	46 App.:811 (1st sentence words after 1st comma).	Sept. 7, 1916, ch. 451, §12 (1st sentence words after 1st comma, 3d sentence), 39 Stat. 732; Ex. Ord. No. 6166, §12, eff. June 10, 1933; June 29, 1936, ch. 858, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(27), Aug. 6, 1981, 95 Stat. 155.
	46 App.:1121(e).	June 29, 1936, ch. 858, title II, §211(e), (g), 49 Stat. 1989; Pub. L. 91–469, §§4(2), 5, 35(a), Oct. 21, 1970, 84 Stat. 1018, 1035; Pub. L. 97–31, §12(67), Aug. 6, 1981, 95 Stat. 159.
50106(b)	46 App.:1121(g).	
50106(c)	46 App.:811 (3d sentence).	

In subsection (b), the words “existing on June 29, 1936, or thereafter built” are omitted as obsolete.

§ 50107. Studies on marine insurance

The Secretary of Transportation shall—

(1) examine into the subject of marine insurance, the number of companies in the United States, domestic and foreign, engaging in marine insurance, the extent of the insurance on hulls and cargoes placed or written in the United States, and the extent of reinsurance of American maritime risks in foreign companies; and

(2) ascertain what steps may be necessary to develop an ample marine insurance system as an aid in the development of the merchant marine of the United States.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1559.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50107	46 App.:811 (2d sentence words after 2d comma).	Sept. 7, 1916, ch. 451, §12 (2d sentence words after 2d comma), 39 Stat. 732; Ex. Ord. No. 6166, §12, eff. June 10, 1933; June 29, 1936, ch. 858, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(27), Aug. 6, 1981, 95 Stat. 155.

§ 50108. Studies on cargo carriage and cargo containers

(a) STUDIES.—The Secretary of Transportation shall study—

(1) the methods of encouraging the development and implementation of new concepts for the carriage of cargo in the domestic and foreign commerce of the United States; and

(2) the economic and technological aspects of the use of cargo containers as a method of carrying out the policy in section 50101 of this title.

(b) RESTRICTION.—In carrying out subsection (a) and the policy in section 50101 of this title, the United States Government may not give preference as between carriers based on the length, height, or width of cargo containers or the length, height, or width of cargo container cells. This restriction applies to all existing container vessels and any container vessel to be constructed or rebuilt.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1559.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50108	46 App.:1122(f).	June 29, 1936, ch. 858, title II, §212(f); as added Pub. L. 90–268, §1, Mar. 16, 1968, 82 Stat. 49; Pub. L. 97–31, §12(69), Aug. 6, 1981, 95 Stat. 159; Pub. L. 98–237, §20(c), Mar. 20, 1984, 98 Stat. 90.

§ 50109. Miscellaneous studies

(a) FOREIGN SUBSIDIES.—The Secretary of Transportation shall investigate, determine, and keep current records of the extent and character of the governmental aid and subsidies granted by foreign governments to their merchant marine.

(b) LAWS APPLICABLE TO AIRCRAFT.—The Secretary shall investigate, determine, and keep

current records of the provisions of law relating to shipping that should be made applicable to aircraft engaged in foreign commerce to further the policy in section 50101 of this title, and any appropriate legislation in this regard.

(c) AID FOR COTTON, COAL, LUMBER, AND CEMENT.—The Secretary shall investigate, determine, and keep current records of the advisability of enactment of suitable legislation authorizing the Secretary, in an economic or commercial emergency, to aid farmers and producers of cotton, coal, lumber, and cement in any section of the United States in the transportation and landing of their products in any foreign port, which products can be carried in dry-cargo vessels by reducing rates, by supplying additional tonnage to any American operator, or by operation of vessels directly by the Secretary, until the Secretary considers the special rate reduction and operation unnecessary for the benefit of those farmers and producers.

(d) INTERCOASTAL AND INLAND WATER TRANSPORTATION.—The Secretary shall investigate, determine, and keep current records of intercoastal and inland water transportation, including their relation to transportation by land and air.

(e) OBSOLETE TONNAGE AND TRAMP SERVICE.—The Secretary shall make studies and reports to Congress on—

(1) the scrapping or removal from service of old or obsolete merchant tonnage owned by the United States Government or in use in the merchant marine; and

(2) tramp shipping service and the advisability of citizens of the United States participating in that service with vessels under United States registry.

(f) MORTGAGE LOANS.—The Secretary shall investigate the legal status of mortgage loans on vessel property, with a view to the means of improving the security of those loans and of encouraging investment in American shipping.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1559.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50109(a)	46 App.:1121(f).	June 29, 1936, ch. 858, title II, §211(f), (h), (i), (j) (words after 2d semicolon), 49 Stat. 1989; Pub. L. 91–469, §§4(2), 35(a), Oct. 21, 1970, 84 Stat. 1018, 1035; Pub. L. 97–31, §12(67), Aug. 6, 1981, 95 Stat. 159.
50109(b)	46 App.:1121(h).	June 29, 1936, ch. 858, title II, §213, 49 Stat. 1991; Pub. L. 87–877, §2(c), (d), Oct. 24, 1962, 76 Stat. 1201; Pub. L. 94–273, §27, Apr. 21, 1976, 90 Stat. 380; Pub. L. 97–31, §12(71), Aug. 6, 1981, 95 Stat. 159; Pub. L. 105–85, div. C, title XXXVI, §3602, Nov. 18, 1997, 111 Stat. 2075.
50109(c)	46 App.:1121(i).	
50109(d)	46 App.:1121(j) (words after 2d semicolon).	
50109(e)	46 App.:1123.	Sept. 7, 1916, ch. 451, §12 (4th sentence), 39 Stat. 732; Ex. Ord. No. 6166, §12, eff. June 10, 1933; June 29, 1936, ch. 858, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(27), Aug. 6, 1981, 95 Stat. 155.
50109(f)	46 App.:811 (4th sentence).	

§ 50110. Securing preference to vessels of the United States

(a) POSSIBILITIES OF PROMOTING CARRIAGE.—The Secretary of Transportation shall investigate, determine, and keep current records of the possibilities of promoting the carriage of United States foreign trade in vessels of the United States.

(b) INDUCEMENTS TO IMPORTERS AND EXPORTERS.—The Secretary shall study and cooperate with vessel owners in devising means by which the importers and exporters of the United States can be induced to give preference to vessels of the United States.

(c) LIAISON WITH AGENCIES AND ORGANIZATIONS.—The Secretary shall establish and maintain liaison with such other agencies of the United States Government, and with such representative trade organizations throughout the United States, as may be concerned, directly or indirectly, with any movement of commodities in the waterborne export and import foreign commerce of the United States, for the purpose of securing preference to vessels of the United States in the shipment of those commodities.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1560.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50110(a)	46 App.:1121(j) (words between 1st and 2d semicolons).	June 29, 1936, ch. 858, title II, §211(j) (words between 1st and 2d semicolons), 49 Stat. 1989; Pub. L. 91–469, §§4(2), 35(a), Oct. 21, 1970, 84 Stat. 1018, 1035; Pub. L. 97–31, §12(67), Aug. 6, 1981, 95 Stat. 159.
50110(b)	46 App.:1122(b)(1).	June 29, 1936, ch. 858, title II, §212(b)(1), (d), 49 Stat. 1990; Pub. L. 97–31, §12(69), Aug. 6, 1981, 95 Stat. 159; Pub. L. 98–237, §20(c), Mar. 20, 1984, 98 Stat. 90.
50110(c)	46 App.:1122(d).	

§ 50111. Reports to Congress

(a) IN GENERAL.—Not later than April 1 of each year, the Secretary of Transportation shall submit a report to Congress. The report shall include, with respect to activities of the Secretary under this subtitle, the results of investigations, a summary of transactions, a statement of all expenditures and receipts, the purposes for which all expenditures were made, and any recommendations for legislation.

(b) ADMINISTERED AND OVERSIGHT FUNDS.—The Secretary, in the report under subsection (a) and in the annual budget estimate for the Maritime Administration submitted to Congress, shall state separately the amount, source, intended use, and nature of any funds (other than funds appropriated to the Administration or to the Secretary of Transportation for use by the Administration) administered, or subject to oversight, by the Administration.

(c) ADDITIONAL RECOMMENDATIONS FOR LEGISLATION.—The Secretary, from time to time, shall make recommendations to Congress for legislation the Secretary considers necessary to better achieve the objectives and policy of section 50101 of this title.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1560.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50111(a)	46 App.:811 (last sentence).	Sept. 7, 1916, ch. 451, §12 (last sentence), 39 Stat. 732; Ex. Ord. No. 6166, §12, eff. June 10, 1933; June 29, 1936, ch. 858, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(27), Aug. 6, 1981, 95 Stat. 155.
	46 App.:1118 (related to Secretary).	June 29, 1936, ch. 858, title II, §208 (related to Secretary), 49 Stat. 1988; Pub. L. 94–273, §36, Apr. 21, 1976, 90 Stat. 380; Pub. L. 97–31, §12(65), Aug. 6, 1981, 95 Stat. 159.
	46 App.:1160(f).	June 29, 1936, ch. 858, title V, §510(f), as added Aug. 4, 1939, ch. 417, §7, 53 Stat. 1184; Pub. L. 97–31, §12(91)(A)–(C), Aug. 6, 1981, 95 Stat. 161.
	46 App.:1291.	June 29, 1936, ch. 858, title XII, §1211, as added Sept. 7, 1950, ch. 906, 64 Stat. 776; Pub. L. 89–348, §1(7), Nov. 8, 1965, 79 Stat. 1310.
50111(b)	46 App.:1118 note.	Pub. L. 106–398, §1 [div. C, title XXXV, §3506], Oct. 30, 2000, 114 Stat. 1654, 1654A–494.
50111(c)	46 App.:1122(g).	June 29, 1936, ch. 858, title II, §212(g), 49 Stat. 1990; Pub. L. 90–268, §1, Mar. 16, 1968, 82 Stat. 49; Pub. L. 97–31, §12(69), Aug. 6, 1981, 95 Stat. 159; Pub. L. 98–237, §20(c), Mar. 20, 1984, 98 Stat. 90.

In subsection (a), the words “on or before the 1st day of December in each year” in 46 App. U.S.C. 811 (last sentence) are omitted for consistency with the April 1 date in 46 App.:1118. The words “and of the operations of any corporation in which the United States is a stockholder, and the names and compensation of all persons employed by the Secretary of Transportation” in 46 App. U.S.C. 811 (last sentence) are omitted because the provision originally applied to the United States Shipping Board (which was abolished in 1933) and presumably is not intended to apply to the Secretary.

§ 50112. National Maritime Enhancement Institutes

(a) DESIGNATION.—The Secretary of Transportation may designate National Maritime Enhancement Institutes.

(b) ACTIVITIES.—Activities undertaken by an institute may include—

(1) conducting research about methods to improve the performance of maritime industries;

(2) enhancing the competitiveness of domestic maritime industries in international trade;

(3) forecasting trends in maritime trade;

(4) assessing technological advancements;

(5) developing management initiatives and training;

(6) analyzing economic and operational impacts of regulatory policies and international negotiations or agreements pending before international bodies;

(7) assessing the compatibility of domestic maritime infrastructure systems with overseas transport systems;

(8) fostering innovations in maritime transportation pricing; and

(9) improving maritime economics and finance.

(c) APPLICATION FOR DESIGNATION.—An institution seeking designation as a National Maritime

Enhancement Institute shall submit an application under regulations prescribed by the Secretary.

(d) **CRITERIA FOR DESIGNATION.**—The Secretary shall designate an institute under this section on the basis of the following criteria:

(1) The demonstrated research and extension resources available to the applicant for carrying out the activities specified in subsection (b).

(2) The ability of the applicant to provide leadership in making national and regional contributions to the solution of both long-range and immediate problems of the domestic maritime industry.

(3) The existence of an established program of the applicant encompassing research and training directed to enhancing maritime industries.

(4) The demonstrated ability of the applicant to assemble and evaluate pertinent information from national and international sources and to disseminate results of maritime industry research and educational programs through a continuing education program.

(5) The qualification of the applicant as a nonprofit institution of higher learning.

(e) **FINANCIAL AWARDS.**—The Secretary may make awards on an equal matching basis to an institute designated under subsection (a) from amounts appropriated. The aggregate annual amount of the Federal share of the awards by the Secretary may not exceed \$500,000.

(f) **UNIVERSITY TRANSPORTATION RESEARCH FUNDS.**—The Secretary may make a grant under section 5505 of title 49 to an institute designated under subsection (a) for maritime and maritime intermodal research under that section as if the institute were a university transportation center. In making a grant, the Secretary, through the Research and Innovative Technology Administration, shall advise the Maritime Administration on the availability of funds for the grants and consult with the Administration on making the grants.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1561.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50112	46 App.:1121–2.	Pub. L. 101–115, §8, Oct. 13, 1989, 103 Stat. 694; Pub. L. 101–595, title VII, §702, Nov. 16, 1990, 104 Stat. 2994; Pub. L. 102–241, §47, Dec. 19, 1991, 105 Stat. 2227; Pub. L. 106–398, §1 [div. C, title XXXV, §3504], Oct. 30, 2000, 114 Stat. 1654, 1654A–493; Pub. L. 108–426, Nov. 30, 2004, §2(c)(4), 118 Stat. 2424.

§ 50113. Use and performance reports by operators of vessels

(a) **FILING REQUIREMENT.**—The Secretary of Transportation by regulation may require the operator of a vessel in the waterborne foreign commerce of the United States to file such report, account, record, or memorandum on the use and performance of the vessel as the Secretary considers desirable to assist in carrying out this subtitle. The report, account, record, or

memorandum shall be signed and verified, and be filed at the times and in the manner, as provided by regulation.

(b) **CIVIL PENALTY.**—An operator not filing a report, account, record, or memorandum required by the Secretary under this section is liable to the United States Government for a civil penalty of \$50 for each day of the violation. A penalty imposed under this section on the operator of a vessel constitutes a lien on the vessel involved in the violation. A civil action in rem to enforce the lien may be brought in the district court of the United States for any district in which the vessel is found. The Secretary may remit or mitigate any penalty imposed under this section.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1562.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50113	46 App.:1122a.	June 29, 1936, ch. 858, title II, §212(A), as added June 25, 1956, ch. 437, 70 Stat. 332; Aug. 6, 1981, Pub. L. 97–31, §12(70), 95 Stat. 159.

CHAPTER 503—ADMINISTRATIVE

Sec.	
50301.	Vessel Operations Revolving Fund.
50302.	Port development.
50303.	Operating property and extending term of notes.
50304.	Sale and transfer of property.
50305.	Appointment of trustee or receiver and operation of vessels.
50306.	Requiring testimony and records in investigations.

§ 50301. Vessel Operations Revolving Fund

(a) **IN GENERAL.**—There is a “Vessel Operations Revolving Fund” for use by the Secretary of Transportation in carrying out duties and powers related to vessel operations, including charter, operation, maintenance, repair, reconditioning, and improvement of merchant vessels under the jurisdiction of the Secretary. The Fund has a working capital of \$20,000,000, to remain available until expended.

(b) **RELATIONSHIP TO OTHER LAWS.**—Notwithstanding any other law, rates for shipping services provided under the Fund shall be prescribed by the Secretary and the Fund shall be credited with receipts from vessel operations conducted under the Fund. Sections 1(a) and (c), 3(c), and 4 of the Act of March 24, 1943 (50 App. U.S.C. 1291(a), (c), 1293(c), 1294), apply to those operations and to seamen employed through general agents as employees of the United States Government. Notwithstanding any other law on the employment of persons by the Government, the seamen may be employed in accordance with customary commercial practices in the maritime industry.

(c) **ADVANCEMENTS.**—With the approval of the Director of the Office of Management and Budget, the Secretary may advance amounts the Secretary considers necessary, but not more than 2 percent of vessel operating expenses, from the Fund to the appropriation “Salaries and Expenses” in carrying out duties and powers related to vessel operations, without regard to the

limitations on amounts stated in that appropriation.

(d) TRANSFERS.—The unexpended balances of working funds or of allocation accounts established after January 1, 1951, for the activities provided for in subsection (a), and receipts received from those activities, may be transferred to the Fund, which shall be available for the purposes of those working funds or allocation accounts.

(e) LIMITATION.—

(1) IN GENERAL.—Amounts made available to the Secretary for maritime activities by this section or any other law may not be used to pay for a vessel described in paragraph (2) unless the compensation to be paid is computed under section 56303 of this title as that section is interpreted by the Comptroller General.

(2) APPLICABLE VESSELS.—Paragraph (1) applies to a vessel—

(A) the title to which is acquired by the Government by requisition or purchase;

(B) the use of which is taken by requisition or agreement; or

(C) lost while insured by the Government.

(3) NONAPPLICABLE VESSELS.—Paragraph (1) does not apply to a vessel under a construction-differential subsidy contract.

(f) AVAILABILITY FOR ADDITIONAL PURPOSES.—The Fund is available for—

(1) necessary expenses incurred in the protection, preservation, maintenance, acquisition, or use of vessels involved in mortgage foreclosure or forfeiture proceedings instituted by the Government, including payment of prior claims and liens, expenses of sale, or other related charges;

(2) necessary expenses incident to the redelivery and lay-up, in the United States, of vessels chartered as of June 20, 1956, under agreements not calling for their return to the Government;

(3) the activation, repair, and deactivation of merchant vessels chartered for limited emergency purposes during fiscal year 1957 under the jurisdiction of the Secretary; and

(4) payment of expenses of custody and maintenance of Government-owned vessels not in the National Defense Reserve Fleet.

(g) EXPENSES AND RECEIPTS RELATED TO CHARTER OPERATIONS.—The Fund is available for expenses incurred in activating, repairing, and deactivating merchant vessels chartered under the jurisdiction of the Secretary. Receipts from charter operations of Government-owned vessels under the jurisdiction of the Secretary shall be credited to the Fund.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1562.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50301(a)	46 App.:1241a (1st sentence).	June 2, 1951, ch. 121 (pars. under heading “Vessel Operations Revolving Fund”), 65 Stat. 59; Pub. L. 97–31, §12(128), Aug. 6, 1981, 95 Stat. 165; Pub. L. 108–271, §8(b), July 7, 2004, 118 Stat. 814.
50301(b)	46 App.:1241a (2d sentence words before 2d proviso).	

HISTORICAL AND REVISION NOTES—CONTINUED

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50301(c)	46 App.:1241a (2d sentence 2d proviso).	
50301(d)	46 App.:1241a (2d sentence last proviso).	
50301(e)	46 App.:1241a (last sentence).	
50301(f)	46 App.:1241b.	June 20, 1956, ch. 415, title I, §101 (4th complete par. on p. 319), 70 Stat. 319; Pub. L. 97–31, §12(129), Aug. 6, 1981, 95 Stat. 165.
50301(g)	46 App.:1241b note. 46 App.:1241c.	Aug. 1, 1956, ch. 846, 70 Stat. 897; Pub. L. 97–31, §12(130), Aug. 6, 1981, 95 Stat. 165.

In subsection (c), the words “Director of the Office of Management and Budget” are substituted for “Bureau of the Budget” in the Act of June 2, 1951 (ch. 121, 65 Stat. 59), because of sections 101 and 102 of Reorganization Plan No. 2 of 1970 (5 App. U.S.C.) and 31 U.S.C. ch. 5. The words “for the purposes of that appropriation” are omitted for clarity and for consistency in the subsection.

In subsection (d), the words “notwithstanding any other provisions of law” and “and consolidated with” are omitted as unnecessary.

In subsection (e), in paragraph (1), the words “Comptroller General” are substituted for “Government Accountability Office” for consistency in the revised title. Paragraph (3) is substituted for “(except in cases where section 1212 of this Appendix is applicable)” because section 1212 applies to all vessels under a construction-differential subsidy contract.

In subsection (f), the words “On and after June 20, 1956”, and the last proviso in the 4th complete par. at 70 Stat. 319 (46 App. U.S.C. 1241b note), are omitted as obsolete.

In subsection (g), the words “beginning July 1, 1956” and “after July 1, 1956” are omitted as obsolete.

§ 50302. Port development

(a) GENERAL REQUIREMENTS.—With the objective of promoting, encouraging, and developing ports and transportation facilities in connection with water commerce over which the Secretary of Transportation has jurisdiction, the Secretary, in cooperation with the Secretary of the Army, shall—

(1) investigate territorial regions and zones tributary to ports, taking into consideration the economies of transportation by rail, water, and highway and the natural direction of the flow of commerce;

(2) investigate the causes of congestion of commerce at ports and applicable remedies;

(3) investigate the subject of water terminals, including the necessary docks, warehouses, and equipment, to devise and suggest the types most appropriate for different locations and for the most expeditious and economical transfer or interchange of passengers or property between water carriers and rail carriers;

(4) consult with communities on the appropriate location and plan of construction of wharves, piers, and water terminals;

(5) investigate the practicability and advantages of harbor, river, and port improvements in connection with foreign and coastwise trade; and

(6) investigate any other matter that may tend to promote and encourage the use by ves-

sels of ports adequate to care for the freight that naturally would pass through those ports.

(b) **SUBMISSION OF FINDINGS TO SURFACE TRANSPORTATION BOARD.**—After an investigation under subsection (a), if the Secretary of Transportation believes that the rates or practices of a rail carrier subject to the jurisdiction of the Surface Transportation Board are detrimental to the objective specified in subsection (a), or that new rates or practices, new or additional port terminal facilities, or affirmative action by a rail carrier is necessary to promote that objective, the Secretary may submit findings to the Board for action the Board considers appropriate under existing law.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1564.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50302(a)	46 App.:867 (words before proviso).	June 5, 1920, ch. 250, §8, 41 Stat. 992; Exec. Order No. 6166, June 10, 1933, §12; June 29, 1936, ch. 858, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(40), Aug. 6, 1981, 95 Stat. 156; Pub. L. 104–88, §321(1), Dec. 29, 1995, 109 Stat. 949.
50302(b)	46 App.:867 (proviso).	

In subsection (a), before paragraph (1), the words “Secretary of the Army” are substituted for “Secretary of War” in section 8 of the Merchant Marine Act, 1920 (ch. 250, 41 Stat. 992) because of section 205(a) of the National Security Act of 1947 (ch. 343, 61 Stat. 501). See 10 U.S.C. 3011 et seq. In paragraph (3), the words “apparatus” and “appliances” are omitted as unnecessary. In paragraph (4), the words “consult with” are substituted for “advise with” as being more grammatical.

In subsection (b), the words “rates or practices” are substituted for “rates, charges, rules, or regulations” for consistency in the revised title and with other titles of the United States Code.

§ 50303. Operating property and extending term of notes

(a) **GENERAL AUTHORITY.**—The Secretary of Transportation may—

(1) operate or lease docks, wharves, piers, or real property under the Secretary’s control; and

(2) make extensions and accept renewals of—

(A) promissory notes and other evidences of indebtedness on property; and

(B) mortgages and other contracts securing the property.

(b) **TERMS OF TRANSACTIONS.**—A transaction under subsection (a) shall be on terms the Secretary considers necessary to carry out the purposes of this subtitle, but consistent with sound business practice.

(c) **AVAILABILITY OF AMOUNTS.**—Amounts received by the Secretary from a transaction under this section are available for expenditure by the Secretary as provided in this subtitle.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1564.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50303	46 App.:1112.	June 29, 1936, ch. 858, title II, §202, 49 Stat. 1986; Aug. 26, 1937, ch. 822, §1, 50 Stat. 839; June 23, 1938, ch. 600, §1, 52 Stat. 953; Pub. L. 97–31, §12(60), Aug. 6, 1981, 95 Stat. 158.

In subsection (a), the words “Notwithstanding any other provision of law” are omitted as unnecessary. In paragraph (1), the word “lands” is omitted as included in “real property”. In paragraph (2)(A), the word “promissory” is added for clarity. The words “hereby transferred”, referring to the transfer under the first sentence of section 202 of the Merchant Marine Act, 1936 (repealed by section 12(60)(A) of Public Law 97–31), are omitted as obsolete.

Subsection (b) is substituted for “in accordance with good business methods and on such terms and conditions as he determines to effectuate the policy of this chapter” and “upon such terms and conditions as he may prescribe in accordance with sound business practice” for consistency and to eliminate unnecessary words.

§ 50304. Sale and transfer of property

(a) **AUTHORITY TO SELL.**—The Secretary of Transportation may sell property (other than vessels transferred under section 4 of the Merchant Marine Act, 1920 (ch. 250, 41 Stat. 990)) on terms the Secretary considers appropriate.

(b) **TRANSFERS FROM MILITARY TO CIVILIAN CONTROL.**—When the President considers it in the interest of the United States, the President may transfer to the Secretary of Transportation possession and control of property described in the second paragraph of section 17 of the Merchant Marine Act, 1920 (ch. 250, 41 Stat. 994), as originally enacted, that is possessed and controlled by the Secretary of a military department.

(c) **TRANSFERS FROM CIVILIAN TO MILITARY CONTROL.**—When the President considers it necessary, the President by executive order may transfer to the Secretary of a military department possession and control of property described in section 17 of the Merchant Marine Act, 1920 (ch. 250, 41 Stat. 994), as originally enacted, that is possessed and controlled by the Secretary of Transportation. The President’s order shall state the need for the transfer and the period of the need. When the President decides that the need has ended, the possession and control shall revert to the Secretary of Transportation. The property may not be sold except as provided by law.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1565.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50304(a)	46 App.:872.	June 5, 1920, ch. 250, §§13, 17, 41 Stat. 993, 994; Exec. Order No. 6166, June 10, 1933, §12; June 29, 1936, ch. 858, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(44), (45), Aug. 6, 1981, 95 Stat. 157.
50304(b)	46 App.:875 (1st par.).	
50304(c)	46 App.:875 (last par.).	

In subsections (b) and (c), the words “property described in the second paragraph of section 17 of the Merchant Marine Act, 1920 (ch. 250, 41 Stat. 994), as originally enacted” are substituted for “such other docks, piers, warehouses, wharves and terminal equipment and facilities or parts thereof, including all leasehold easements, rights of way, riparian rights and other rights, estates or interests therein or appurtenant thereto which were acquired . . . for military or naval purposes during the war emergency”, and the words “property described in section 17 of the Merchant Marine Act, 1920 (ch. 250, 41 Stat. 994), as originally enacted” are substituted for “property taken over by or transferred to . . . under this section”, because the first paragraph of section 17 of the Merchant Marine Act, 1920, was repealed in 1981 and reference to that paragraph is necessary for a complete understanding of these provisions. The words “Secretary of a military department” are substituted for “War Department or the Navy Department” and “Department of the Army, Department of the Air Force, or Department of the Navy” for consistency with other titles of the United States Code. For redesignation of the Department of War to the Department of the Army, and for transfer of certain functions to newly established Department of the Air Force, see sections 205(a) and 207(a) and (f) of the National Security Act of 1947 (ch. 343, 61 Stat. 501, 502, 503).

In subsection (b), the words “possessed and controlled by” are substituted for “acquired by” for clarity and for consistency in the section. The word “best” is omitted as unnecessary.

REFERENCES IN TEXT

Section 4 of the Merchant Marine Act, 1920, referred to in subsec. (a), is section 4 of act June 5, 1920, ch. 250, 41 Stat. 990, which was classified to section 863 of former Title 46, Shipping, and was repealed by Pub. L. 100-710, title II, §202(4), Nov. 23, 1988, 102 Stat. 4753.

Section 17 of the Merchant Marine Act, 1920 (ch. 250, 41 Stat. 994), as originally enacted, referred to in subsections (b) and (c), is section 17 of act June 5, 1920, ch. 250, 41 Stat. 994, which was classified to section 875 of the former Appendix to this title, was subsequently amended, and as amended, was repealed and restated in subsections (b) and (c) of this section by Pub. L. 109-304, §§8(b), 19, Oct. 6, 2006, 120 Stat. 1556, 1710.

§ 50305. Appointment of trustee or receiver and operation of vessels

(a) APPOINTMENT OF TRUSTEES AND RECEIVERS.—

(1) APPOINTMENT OF SECRETARY.—In a proceeding in a court of the United States in which a trustee or receiver may be appointed for a corporation operating a vessel of United States registry between the United States and a foreign country, on which the United States Government holds a mortgage, the court may appoint the Secretary of Transportation as the sole trustee or receiver (subject to the direction of the court) if—

(A) the court finds that the appointment will—

- (i) inure to the advantage of the estate and the parties in interest; and
- (ii) tend to carry out the purposes of this subtitle; and

(B) the Secretary expressly consents to the appointment.

(2) APPOINTMENT OF OTHER PERSON.—The appointment of another person as trustee or receiver without a hearing becomes effective when ratified by the Secretary, but the Secretary may demand a hearing.

(b) OPERATION OF VESSELS.—

(1) IN GENERAL.—If the court is unwilling to allow the trustee or receiver to operate the vessel in foreign commerce without financial aid from the Government pending termination of the proceeding, and the Secretary certifies to the court that the continued operation of the vessel is essential to the foreign commerce of the United States and is reasonably calculated to carry out the purposes of this subtitle, the court may allow the Secretary to operate the vessel, either directly or through a managing agent or operator employed by the Secretary. The Secretary must agree to comply with terms imposed by the court sufficient to protect the parties in interest. The Secretary also must agree to pay all operating losses resulting from the operation. The operation shall be for the account of the trustee or receiver.

(2) PAYMENT OF OPERATING LOSSES AND OTHER AMOUNTS.—The Secretary has no claim against the corporation, its estate, or its assets for operating losses paid by the Secretary, but the Secretary may pay amounts for depreciation the Secretary considers reasonable and other amounts the court considers just. The payment of operating losses and the other amounts and compliance with terms imposed by the court shall be in satisfaction of any claim against the Secretary resulting from the operation of the vessel.

(3) DEEMED OPERATION BY GOVERNMENT.—A vessel operated by the Secretary under this subsection is deemed to be a vessel operated by the United States under chapter 309 of this title.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1565.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
50305	46 App.:1247.	June 29, 1936, ch. 858, title IX, §908, as added Pub. L. 95-598, title III, §334, Nov. 6, 1978, 92 Stat. 2680; Pub. L. 97-31, §12(134), Aug. 6, 1981, 95 Stat. 165.

In subsection (a)(1), before subparagraph (A), the words “Notwithstanding any other provision of law” and “bankruptcy, equity, or admiralty” are omitted as unnecessary.

In subsection (a)(2), the words “but the Secretary may demand a hearing” are substituted for “unless the Secretary shall deem a hearing necessary” for clarity.

In subsection (b)(1), the words “subject to the orders of the court” and “comply with the terms imposed by the court” are omitted as unnecessary.

In subsection (b)(2), the words “operating losses paid by the Secretary” are substituted for “the amount of such payments” for clarity.

In subsection (b)(3), the words “vessel operated by the United States” are substituted for “vessel of the United States” for clarity and consistency with chapter 309.

§ 50306. Requiring testimony and records in investigations

(a) IN GENERAL.—In conducting an investigation that the Secretary of Transportation considers necessary and proper to carry out this subtitle, the Secretary may administer oaths, take evidence, and subpoena persons to testify

and produce documents relevant to the matter under investigation. Persons may be required to attend or produce documents from any place in the United States at any designated place of hearing.

(b) FEES AND MILEAGE.—Persons subpoenaed by the Secretary under subsection (a) shall be paid the same fees and mileage paid to witnesses in the courts of the United States.

(c) ENFORCEMENT OF SUBPOENAS.—If a person disobeys a subpoena issued under subsection (a), the Secretary may seek an order enforcing the subpoena from the district court of the United States for the district in which the person resides or does business. Process may be served in the judicial district in which the person resides or is found. The court may issue an order to obey the subpoena and punish a refusal to obey as a contempt of court.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1566.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50306	46 App.:1124.	June 29, 1936, ch. 858, title II, §214, 49 Stat. 1991; June 23, 1938, ch. 600, §3, 52 Stat. 954; Pub. L. 91–452, title II, §241, Oct. 15, 1970, 84 Stat. 930; Pub. L. 97–31, §12(72), Aug. 6, 1981, 95 Stat. 159; Pub. L. 98–237, §20(a), Mar. 20, 1984, 98 Stat. 89; Pub. L. 98–595, §2, Oct. 30, 1984, 98 Stat. 3132.

In subsection (a), the word “affirmations” is omitted as unnecessary because of the definition of “oath” in 1 U.S.C. 1. The words “or any territory, district, or possession thereof” are omitted as unnecessary because of the definition of “United States” in chapter 1 of the revised title.

Subsection (c) is substituted for the source provision to eliminate unnecessary words.

CHAPTER 505—OTHER GENERAL PROVISIONS

Sec.	
50501.	Entities deemed citizens of the United States.
50502.	Applicability to receivers, trustees, successors, and assigns.
50503.	Oceanographic research vessels.
50504.	Sailing school vessels.

§ 50501. Entities deemed citizens of the United States

(a) IN GENERAL.—In this subtitle, a corporation, partnership, or association is deemed to be a citizen of the United States only if the controlling interest is owned by citizens of the United States. However, if the corporation, partnership, or association is operating a vessel in the coastwise trade, at least 75 percent of the interest must be owned by citizens of the United States.

(b) ADDITIONAL REQUIREMENTS FOR CORPORATIONS.—In this subtitle, a corporation is deemed to be a citizen of the United States only if, in addition to satisfying the requirements in subsection (a)—

(1) it is incorporated under the laws of the United States or a State;

(2) its chief executive officer, by whatever title, and the chairman of its board of directors are citizens of the United States; and

(3) no more of its directors are noncitizens than a minority of the number necessary to constitute a quorum.

(c) DETERMINATION OF CONTROLLING CORPORATE INTEREST.—The controlling interest in a corporation is owned by citizens of the United States under subsection (a) only if—

(1) title to the majority of the stock in the corporation is vested in citizens of the United States free from any trust or fiduciary obligation in favor of a person not a citizen of the United States;

(2) the majority of the voting power in the corporation is vested in citizens of the United States;

(3) there is no contract or understanding by which the majority of the voting power in the corporation may be exercised, directly or indirectly, in behalf of a person not a citizen of the United States; and

(4) there is no other means by which control of the corporation is given to or permitted to be exercised by a person not a citizen of the United States.

(d) DETERMINATION OF 75 PERCENT CORPORATE INTEREST.—At least 75 percent of the interest in a corporation is owned by citizens of the United States under subsection (a) only if—

(1) title to at least 75 percent of the stock in the corporation is vested in citizens of the United States free from any trust or fiduciary obligation in favor of a person not a citizen of the United States;

(2) at least 75 percent of the voting power in the corporation is vested in citizens of the United States;

(3) there is no contract or understanding by which more than 25 percent of the voting power in the corporation may be exercised, directly or indirectly, in behalf of a person not a citizen of the United States; and

(4) there is no other means by which control of more than 25 percent of any interest in the corporation is given to or permitted to be exercised by a person not a citizen of the United States.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1566.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50501(a)	46 App.:802(a) (words before 3d comma and after 11th comma).	Sept. 7, 1916, ch. 451, §2(a)–(c), 39 Stat. 729; July 15, 1918, ch. 152, §2, 40 Stat. 900; June 5, 1920, ch. 250, §38, 41 Stat. 1008; Pub. L. 86–327, §3, Sept. 21, 1959, 73 Stat. 597; Pub. L. 105–383, title IV, §421, Nov. 13, 1998, 112 Stat. 3439.
	46 App.:1244(c).	June 29, 1936, ch. 858, title IX, §905(c), 49 Stat. 2016; June 23, 1938, ch. 600, §39(b), 52 Stat. 964; Pub. L. 86–327, §4, Sept. 21, 1959, 73 Stat. 597.
50501(b)	46 App.:802(a) (words between 3d and 11th commas).	
50501(c)	46 App.:802(b).	
50501(d)	46 App.:802(c).	

In subsection (a), the words “and with respect to a corporation under subchapter VI of this chapter, all directors of the corporation are citizens of the United States” in 46 App. U.S.C. 1244(c) are omitted because

part A of subchapter VI contains the operating-differential subsidy program which, under 46 App. U.S.C. 1185a, is being phased out, and part B of subchapter VI contains the Maritime Security Fleet program which is being repealed (effective October 1, 2005) and replaced by chapter 531 of title 46 as enacted by the Maritime Security Act of 2003. Thus, subchapter VI is being omitted from the revised title and will instead appear as a note under section 53101. The words “and, in the case of a corporation, partnership, or association operating a vessel on the Great Lakes, or on bays, sounds, rivers, harbors, or inland lakes of the United States the amount of interest required to be owned by a citizen of the United States shall be not less than 75 per centum” in 46 App. U.S.C. 1244(c) are omitted as covered by the 75 percent ownership requirement for operation in the coastwise trade.

In subsection (b)(1), the words “Territory, District, or possession thereof” are omitted because of the definition of “State” in chapter 1 of the revised title.

§ 50502. Applicability to receivers, trustees, successors, and assigns

This subtitle applies to receivers, trustees, successors, and assigns of any person to whom this subtitle applies.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1567.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50502	46 App.:803.	Sept. 7, 1916, ch. 451, §2(d), 39 Stat. 729; June 5, 1920, ch. 250, §38, 41 Stat. 1008.

§ 50503. Oceanographic research vessels

An oceanographic research vessel (as defined in section 2101 of this title) is deemed not to be engaged in trade or commerce.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1567.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50503	46 App.:441. 46 App.:443. 46 App.:444.	Pub. L. 89–99, §§1, 3, 4, July 30, 1965, 79 Stat. 424.

The definitions of “oceanographic research vessel” and “scientific personnel” in 46 App. U.S.C. 441 are omitted because substantially the same definitions are already in 46 U.S.C. 2101.

The text of 46 App. U.S.C. 444 is omitted because section 10101(3) of title 46, which defines “seaman” for purposes of part G of subtitle II of title 46, already contains an exception for scientific personnel. Title 53 of the Revised Statutes, referred to [in] 46 App. U.S.C. 444, was previously codified principally in part G of subtitle II of title 46.

§ 50504. Sailing school vessels

(a) DEFINITIONS.—In this section, the terms “sailing school instructor”, “sailing school student”, and “sailing school vessel” have the meaning given those terms in section 2101 of this title.

(b) NOT SEAMEN.—A sailing school student or sailing school instructor is deemed not to be a seaman under—

- (1) parts B, F, and G of subtitle II of this title; or
- (2) the maritime law doctrines of maintenance and cure or warranty of seaworthiness.

(c) NOT MERCHANT VESSEL OR ENGAGED IN TRADE OR COMMERCE.—A sailing school vessel is deemed not to be—

- (1) a merchant vessel under section 11101(a)–(c) of this title; or
- (2) a vessel engaged in trade or commerce.

(d) EVIDENCE OF FINANCIAL RESPONSIBILITY.—The owner or charterer of a sailing school vessel shall maintain evidence of financial responsibility to meet liability for death or injury to sailing school students and sailing school instructors on a voyage on the vessel. The amount of financial responsibility shall be at least \$50,000 for each student and instructor. Financial responsibility under this subsection may be evidenced by insurance or other adequate financial resources.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1568.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
50504(a)	46 App.:446c.	Pub. L. 97–322, title II, §§204, 205, 207, Oct. 15, 1982, 96 Stat. 1589.
50504(b)	46 App.:446.	Pub. L. 97–322, title II, §206, Oct. 15, 1982, 96 Stat. 1590; Pub. L. 98–557, §34(b), Oct. 30, 1984, 98 Stat. 2876.
50504(c)	46 App.:446b.	
50504(d)	46 App.:446a.	

In subsection (b)(1), the words “parts B, F, and G of subtitle II of this title” are substituted for “the provisions of titles 52 and 53 of the Revised Statutes of the United States and any Act amendatory thereof or supplementary thereto” because the relevant provisions of titles 52 and 53 of the Revised Statutes were previously codified in parts B, F, and G of subtitle II of title 46.

In subsection (c), references to 46 App. U.S.C. 291 and 883 are omitted for consistency with section 50503 of the revised title.

PART B—MERCHANT MARINE SERVICE

CHAPTER 511—GENERAL

Sec.	
51101.	Policy.
51102.	Definitions.
51103.	General authority of Secretary of Transportation.
51104.	General authority of Secretary of the Navy.

§ 51101. Policy

It is the policy of the United States that merchant marine vessels of the United States should be operated by highly trained and efficient citizens of the United States and that the United States Navy and the merchant marine of the United States should work closely together to promote the maximum integration of the total seapower forces of the United States.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1568.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51101	46 App.:1126–1(a) (1st sentence). 46 App.:1295 (1st sentence).	Pub. L. 94–361, title VI, §603(a) (1st sentence), July 14, 1976, 90 Stat. 929. June 29, 1936, ch. 858, title XIII, §1301 (1st sentence), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 1997.

§ 51102. Definitions

In this part:

(1) **ACADEMY.**—The term “Academy” means the United States Merchant Marine Academy located at Kings Point, New York, and maintained under chapter 513 of this title.

(2) **COST OF EDUCATION PROVIDED.**—The term “cost of education provided” means the financial costs incurred by the United States Government for providing training or financial assistance to students at the Academy and the State maritime academies, including direct financial assistance, room, board, classroom academics, and other training activities.

(3) **MERCHANT MARINE OFFICER.**—The term “merchant marine officer” means an individual issued a license by the Coast Guard authorizing service as—

(A) a master, mate, or pilot on a documented vessel that—

(i) is of at least 1,000 gross tons as measured under section 14502 of this title or an alternate tonnage measured under section 14302 of this title as prescribed by the Secretary under section 14104 of this title; and

(ii) operates on the oceans or the Great Lakes; or

(B) an engineer officer on a documented vessel propelled by machinery of at least 4,000 horsepower.

(4) **STATE MARITIME ACADEMY.**—The term “State maritime academy” means—

(A) a State maritime academy or college sponsored by a State and assisted under chapter 515 of this title; and

(B) a regional maritime academy or college sponsored by a group of States and assisted under chapter 515 of this title.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1568.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51102	46 App.:1295a.	June 29, 1936, ch. 858, title XIII, §1302, as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 1997; Pub. L. 97–31, §12(143), Aug. 6, 1981, 95 Stat. 166; Pub. L. 104–324, title VII, §708, Oct. 19, 1996, 110 Stat. 3934; Pub. L. 108–136, title XXXV, §3515(a), Nov. 24, 2003, 117 Stat. 1792.

The definition of “Secretary” is omitted as unnecessary because the full title is used the first time the term appears in each section.

In the definition of “merchant marine officer”, the words “documented vessel” are substituted for “vessel . . . which is documented under the laws of the United States” because of the definition of “documented vessel” in 46 U.S.C. 2101, which is being moved to chapter 1 of the revised title.

In the definition of “State maritime academy”, the words “or territory of the United States” and “or territories of the United States” are omitted as unnecessary because of the definition of “State” in chapter 1 of the revised title.

§ 51103. General authority of Secretary of Transportation

(a) **EDUCATION AND TRAINING.**—The Secretary of Transportation may provide for the education

and training of citizens of the United States for the safe and efficient operation of the merchant marine of the United States at all times, including operation as a naval and military auxiliary in time of war or national emergency.

(b) **SURPLUS PROPERTY FOR INSTRUCTIONAL PURPOSES.**—

(1) **IN GENERAL.**—The Secretary may cooperate with and assist the institutions named in paragraph (2) by making vessels, shipboard equipment, and other marine equipment, owned by the United States Government and determined to be excess or surplus, available to those institutions for instructional purposes, by gift, loan, sale, lease, or charter on terms the Secretary considers appropriate.

(2) **INSTITUTIONS.**—The institutions referred to in paragraph (1) are—

(A) the United States Merchant Marine Academy;

(B) a State maritime academy; and

(C) a nonprofit training institution jointly approved by the Secretary of Transportation and the Secretary of the department in which the Coast Guard is operating as offering training courses that meet Federal regulations for maritime training.

(c) **ASSISTANCE FROM OTHER AGENCIES.**—

(1) **IN GENERAL.**—The Secretary of Transportation may secure directly from an agency, on a reimbursable basis, information, facilities, and equipment necessary to carry out this part.

(2) **DETAILING PERSONNEL.**—At the request of the Secretary, the head of an agency (including a military department) may detail, on a reimbursable basis, personnel from the agency to the Secretary to assist in carrying out this part.

(d) **ACADEMY PERSONNEL.**—To carry out this part, the Secretary may—

(1) employ an individual as a professor, lecturer, or instructor at the Academy, without regard to the provisions of title 5 governing appointments in the competitive service; and

(2) pay the individual without regard to chapter 51 and subchapter III of chapter 53 of title 5.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1569.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51103(a)	46 App.:1295 (last sentence cl. (1)).	June 29, 1936, ch. 858, title XIII, §1301 (last sentence cl. (1)), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 1997; Pub. L. 97–31, §12(142)(A), Aug. 6, 1981, 95 Stat. 166.
51103(b)	46 App.:1295g(b).	June 29, 1936, ch. 858, title XIII, §1308(b)–(d), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 2007.
51103(c)	46 App.:1295g(c).	
51103(d)	46 App.:1295g(d).	

In subsection (c), the word “department” is omitted as unnecessary because of the definition of “agency” in chapter 1 of the revised title.

§ 51104. General authority of Secretary of the Navy

The Secretary of the Navy, in cooperation with the Maritime Administrator and the head

of each State maritime academy, shall ensure that—

(1) the training of future merchant marine officers at the United States Merchant Marine Academy and at State maritime academies includes programs for naval science training in the operation of merchant vessels as a naval and military auxiliary; and

(2) naval officer training programs for future officers, insofar as possible, are maintained at designated maritime academies consistent with Navy standards and needs.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1570.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51104	46 App.:1126–1(a) (last sentence), (b). 46 App.:1295 (last sentence cl. (2)).	Pub. L. 94–361, title VI, §603(a) (last sentence), (b), July 14, 1976, 90 Stat. 929; Pub. L. 97–31, §12(76), Aug. 6, 1981, 95 Stat. 160. June 29, 1936, ch. 858, title XIII, §1301 (last sentence cl. (2)), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 1997; Pub. L. 97–31, §12(142)(B), Aug. 6, 1981, 95 Stat. 166.

CHAPTER 513—UNITED STATES MERCHANT MARINE ACADEMY

Sec.	
51301.	Maintenance of the Academy.
51302.	Nomination and competitive appointment of cadets.
51303.	Non-competitive appointments.
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§ 51301. Maintenance of the Academy

The Secretary of Transportation shall maintain the United States Merchant Marine Academy to provide instruction to individuals to prepare them for service in the merchant marine of the United States.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1570.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51301	46 App.:1295b(a).	June 29, 1936, ch. 858, title XIII, §1303(a), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 1998.

§ 51302. Nomination and competitive appointment of cadets

(a) REQUIREMENTS.—An individual may be nominated for a competitive appointment as a cadet at the United States Merchant Marine Academy only if the individual—

(1) is a citizen or national of the United States; and

(2) meets the minimum requirements that the Secretary of Transportation shall establish.

(b) NOMINATORS.—Nominations for competitive appointments for the positions allocated under subsection (c) may be made as follows:

(1) A Senator may nominate residents of the State represented by that Senator.

(2) A Member of the House of Representatives may nominate residents of the State in which the congressional district represented by that Member is located.

(3) A Delegate to the House of Representatives from the District of Columbia, the Virgin Islands, Guam, or American Samoa may nominate residents of the jurisdiction represented by that Delegate.

(4) The Resident Commissioner to the United States from Puerto Rico may nominate residents of Puerto Rico.

(5) The Governor of the Northern Mariana Islands may nominate residents of the Northern Mariana Islands.

(6) The Panama Canal Commission may nominate—

(A) residents, or sons or daughters of residents, of an area or installation in Panama and made available to the United States under the Panama Canal Treaty of 1977, the agreements relating to and implementing that Treaty, signed September 7, 1977, and the Agreement Between the United States of America and the Republic of Panama Concerning Air Traffic Control and Related Services, concluded January 8, 1979; and

(B) sons or daughters of personnel of the United States Government and the Panama Canal Commission residing in Panama.

(c) ALLOCATION OF POSITIONS.—Positions for competitive appointments shall be allocated each year as follows:

(1) Positions shall be allocated for residents of each State nominated by the Members of Congress from that State in proportion to the representation in Congress from that State.

(2) Four positions shall be allocated for residents of the District of Columbia nominated by the Delegate to the House of Representatives from the District of Columbia.

(3) One position each shall be allocated for residents of the Virgin Islands, Guam, and American Samoa nominated by the Delegates to the House of Representatives from the Virgin Islands, Guam, and American Samoa, respectively.

(4) One position shall be allocated for a resident of Puerto Rico nominated by the Resident Commissioner to the United States from Puerto Rico.

(5) One position shall be allocated for a resident of the Northern Mariana Islands nominated by the Governor of the Northern Mariana Islands.

(6) Two positions shall be allocated for individuals nominated by the Panama Canal Commission.

(d) COMPETITIVE SYSTEM FOR APPOINTMENT.—

(1) ESTABLISHMENT OF SYSTEM.—The Secretary shall establish a competitive system for

selecting individuals nominated under subsection (b) to fill the positions allocated under subsection (c). The system must determine the relative merit of each individual based on competitive examinations, an assessment of the individual's academic background, and other effective indicators of motivation and probability of successful completion of training at the Academy.

(2) APPOINTMENTS BY JURISDICTION.—The Secretary shall appoint individuals to fill the positions allocated under subsection (c) for each jurisdiction in the order of merit of the individuals nominated from that jurisdiction.

(3) REMAINING UNFILLED POSITIONS.—If positions remain unfilled after the appointments are made under paragraph (2), the Secretary shall appoint individuals to fill the positions in the order of merit of the remaining individuals nominated from all jurisdictions.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1570.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51302(a)	46 App.:1295b(b)(1)(A).	June 29, 1936, ch. 858, title XIII, §1303(b)(1)–(3)(A), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 1998; Pub. L. 101–595, title VII, §708(1), (2), Nov. 16, 1990, 104 Stat. 2995.
51302(b)	46 App.:1295b(b)(2)(A) (related to nominations). 46 App.:1295b(b)(1) (less cl. (A)). 46 App.:1295b(b)(3)(A)(ii) (related to who may be nominated).	
51302(c)	46 App.:1295b(b)(3)(A) (less (ii) (related to who may be nominated)).	
51302(d)	46 App.:1295b(b)(2)(A) (related to selection), (B), (3)(B), (C).	

In subsection (b)(6)(A), the words “residents, or sons or daughters of residents, of an area or installation” are substituted for “a resident of the area or installation” in 46 App. U.S.C. 1295b(b)(1)(B) and “sons or daughters of residents of any area or installation” in 46 App. U.S.C. 1295b(b)(3)(A)(ii) to resolve an inconsistency in the source law and to conform to the probable intent of Congress. Although 46 App. U.S.C. 1295b(b)(1)(B) provides that a nominee must be a resident, 46 App. U.S.C. 1295b(b)(3)(A)(ii) allocates positions only for sons or daughters of residents.

§ 51303. Non-competitive appointments

The Secretary of Transportation may appoint each year without competition as cadets at the United States Merchant Marine Academy not more than 40 qualified individuals with qualities the Secretary considers to be of special value to the Academy. In making these appointments, the Secretary shall try to achieve a national demographic balance at the Academy.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1572.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51303	46 App.:1295b(b)(3)(D).	June 29, 1936, ch. 858, title XIII, §1303(b)(3)(D), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 1999.

§ 51304. Additional appointments from particular areas

(a) OTHER COUNTRIES IN WESTERN HEMISPHERE.—The President may appoint individuals from countries in the Western Hemisphere other than the United States to receive instruction at the United States Merchant Marine Academy. Not more than 12 individuals may receive instruction under this subsection at the same time, and not more than 2 individuals from the same country may receive instruction under this subsection at the same time.

(b) OTHER COUNTRIES GENERALLY.—

(1) APPOINTMENT.—The Secretary of Transportation, with the approval of the Secretary of State, may appoint individuals from countries other than the United States to receive instruction at the Academy. Not more than 30 individuals may receive instruction under this subsection at the same time.

(2) REIMBURSEMENT.—The Secretary of Transportation shall ensure that the country from which an individual comes under this subsection will reimburse the Secretary for the cost (as determined by the Secretary) of the instruction and allowances received by the individual.

(c) PANAMA.—

(1) APPOINTMENT.—The Secretary of Transportation, with the approval of the Secretary of State, may appoint individuals from Panama to receive instruction at the Academy. Individuals appointed under this subsection are in addition to those appointed under any other provision of this chapter.

(2) REIMBURSEMENT.—The Secretary of Transportation shall be reimbursed for the cost (as determined by the Secretary) of the instruction and allowances received by an individual appointed under this subsection.

(d) ALLOWANCES AND REGULATIONS.—Individuals receiving instruction under this section are entitled to the same allowances and are subject to the same regulations on admission, attendance, discipline, resignation, discharge, dismissal, and graduation, as cadets at the Academy appointed from the United States.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1572.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51304(a)	46 App.:1295b(b)(5)(A), (B).	June 29, 1936, ch. 858, title XIII, §1303(b)(5)–(7), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 1999; Pub. L. 99–368, §5, Aug. 1, 1986, 100 Stat. 776; Pub. L. 101–595, title VII, §708(3), Nov. 16, 1990, 104 Stat. 2995.
51304(b)	46 App.:1295b(b)(6)(A)–(C).	
51304(c)	46 App.:1295b(b)(7)(A), (B).	
51304(d)	46 App.:1295b(b)(5)(C), (6)(D), (7)(C).	

The word “appoint” is substituted for “designate” and “permit” for consistency in the chapter.

§ 51305. Prohibited basis for appointment

Preference may not be given to an individual for appointment as a cadet at the United States

Merchant Marine Academy because one or more members of the individual's immediate family are alumni of the Academy.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1572.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51305	46 App.:1295b(b) (3)(E).	June 29, 1936, ch. 858, title XIII, §1303(b)(3)(E), as added Pub. L. 96-453, §2, Oct. 15, 1980, 94 Stat. 1999.

§ 51306. Cadet commitment agreements

(a) AGREEMENT REQUIREMENTS.—A citizen of the United States appointed as a cadet at the United States Merchant Marine Academy must sign, as a condition of the appointment, an agreement to—

(1) complete the course of instruction at the Academy;

(2) fulfill the requirements for a license as an officer in the merchant marine of the United States before graduation from the Academy;

(3) maintain a valid license as an officer in the merchant marine of the United States for at least 6 years after graduation from the Academy, accompanied by the appropriate national and international endorsements and certification required by the Coast Guard for service aboard vessels on domestic and international voyages;

(4) apply for, and accept if tendered, an appointment as a commissioned officer in the Naval Reserve (including the Merchant Marine Reserve, Naval Reserve), the Coast Guard Reserve, or any other reserve unit of an armed force of the United States, and, if tendered the appointment, to serve for at least 6 years after graduation from the Academy;

(5) serve the foreign and domestic commerce and the national defense of the United States for at least 5 years after graduation from the Academy—

(A) as a merchant marine officer on a documented vessel or a vessel owned and operated by the United States Government or by a State;

(B) as an employee in a United States maritime-related industry, profession, or marine science (as determined by the Secretary of Transportation), if the Secretary determines that service under subparagraph (A) is not available to the individual;

(C) as a commissioned officer on active duty in an armed force of the United States, as a commissioned officer in the National Oceanic and Atmospheric Administration, or in other maritime-related Federal employment which serves the national security interests of the United States, as determined by the Secretary; or

(D) by a combination of the service alternatives referred to in subparagraphs (A)–(C); and

(6) report to the Secretary on compliance with this subsection.

(b) FAILURE TO COMPLETE COURSE OF INSTRUCTION.—

(1) ACTIVE DUTY.—If the Secretary of Transportation determines that an individual who has attended the Academy for at least 2 years has failed to fulfill the part of the agreement described in subsection (a)(1), the individual may be ordered by the Secretary of Defense to serve on active duty in one of the armed forces of the United States for a period of not more than 2 years. In cases of hardship as determined by the Secretary of Transportation, the Secretary of Transportation may waive this paragraph in whole or in part.

(2) RECOVERY OF COST.—If the Secretary of Defense is unable or unwilling to order an individual to serve on active duty under paragraph (1), or if the Secretary of Transportation determines that reimbursement of the cost of education provided would better serve the interests of the United States, the Secretary of Transportation may recover from the individual the cost of education provided by the Government.

(c) FAILURE TO CARRY OUT OTHER REQUIREMENTS.—

(1) ACTIVE DUTY.—If the Secretary of Transportation determines that an individual has failed to fulfill any part of the agreement described in subsection (a)(2)–(6), the individual may be ordered to serve on active duty for a period of at least 3 years but not more than the unexpired period (as determined by the Secretary) of the service required by subsection (a)(5). The Secretary of Transportation, in consultation with the Secretary of Defense, shall determine in which service the individual shall serve. In cases of hardship as determined by the Secretary of Transportation, the Secretary of Transportation may waive this paragraph in whole or in part.

(2) RECOVERY OF COST.—If the Secretary of Defense is unable or unwilling to order an individual to serve on active duty under paragraph (1), or if the Secretary of Transportation determines that reimbursement of the cost of education provided would better serve the interests of the United States, the Secretary of Transportation may recover from the individual the cost of education provided. The Secretary may reduce the amount to be recovered to reflect partial performance of service obligations and other factors the Secretary determines merit a reduction.

(d) ACTIONS TO RECOVER COST.—To aid in the recovery of the cost of education provided by the Government under a commitment agreement under this section, the Secretary of Transportation may—

(1) request the Attorney General to bring a civil action against the individual; and

(2) make use of the Federal debt collection procedures in chapter 176 of title 28 or other applicable administrative remedies.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1572; Pub. L. 109-163, div. A, title V, §515(g)(2)(A), Jan. 6, 2006, 119 Stat. 3236; Pub. L. 109-364, div. C, title XXXV, §§3505(a), 3506(a), Oct. 17, 2006, 120 Stat. 2516, 2517.)

AMENDMENTS NOT SHOWN IN TEXT

This section was derived from provisions of section 1295b(e) of the former Appendix to this title,

which was amended by Pub. L. 109-163, div. A, title V, § 515(g)(2)(A), Jan. 6, 2006, 119 Stat. 3236, and Pub. L. 109-364, div. C, title XXXV, §§ 3505(a), 3506(a), Oct. 17, 2006, 120 Stat. 2516, 2517. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1295b(e) of the former Appendix to this title was amended by striking “Naval Reserve” each place it appears and inserting “Navy Reserve” and by adding the following:

“(6)(A) An individual who for the 5-year period following graduation from the Academy, serves as a commissioned officer on active duty in an armed force of the United States or as a commissioned officer of the National Oceanic and Atmospheric Administration or the Public Health Service shall be excused from the requirements of subparagraphs (C), (D), and (E) of paragraph (1) [now paragraphs (3) to (5) of subsection (a) of this section].

“(B) The Secretary may modify or waive any of the terms and conditions set forth in paragraph (1) through the imposition of alternative service requirements.

“(7)(A) Subject to any otherwise applicable restrictions on disclosure in section 552a of title 5, United States Code, the Secretary of Defense, the Secretary of the department in which the Coast Guard is operating, the Administrator of the National Oceanic and Atmospheric Administration, and the Surgeon General of the Public Health Service—

“(i) shall report the status of obligated service of an individual graduate of the Academy upon request of the Secretary; and

“(ii) may, in their discretion, notify the Secretary of any failure of the graduate to perform the graduate’s duties, either on active duty or in the Ready Reserve component of their respective service, or as a commissioned officer of the National Oceanic and Atmospheric Administration or the Public Health Service, respectively.

“(B) A report or notice under subparagraph (A) shall identify any graduate determined to have failed to comply with service obligation requirements and provide all required information as to why such graduate failed to comply.

“(C) Upon receipt of such a report or notice, such graduate may be considered to be in default of the graduate’s service obligations by the Secretary, and subject to all remedies the Secretary may have with respect to such a default.”

For effective dates of paragraphs (6) and (7) above, see Effective Date of 2006 Amendment note below.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51306(a)	46 App.:1295b(e)(1).	June 29, 1936, ch. 858, title XIII, § 1303(e)(1)–(4), as added Pub. L. 96-453, § 2, Oct. 15, 1980, 94 Stat. 2000; Pub. L. 97-31, § 12(14)(A), Aug. 6, 1981, 95 Stat. 166; Pub. L. 101-595, title VII, § 707(a), Nov. 16, 1990, 104 Stat. 2995; Pub. L. 108-136, title XXXV, § 3515(b), Nov. 24, 2003, 117 Stat. 1792.
51306(b)	46 App.:1295b(e)(2).	
51306(c)	46 App.:1295b(e)(3).	
51306(d)	46 App.:1295b(e)(4).	

In subsection (a), before paragraph (1), the words “after the date occurring 6 months after October 1, 1981” are omitted as obsolete. In paragraph (2), the words “before graduating” are substituted for “on or before the date of graduation” to eliminate unnecessary words. In paragraph (5)(A), the words “or territories” are omitted as unnecessary because of the definition of “State” in chapter 1 of the revised title.

In subsection (d), the words “bring a civil action” are substituted for “begin court proceedings” for consistency in the revised title and with rule 2 of the Federal Rules of Civil Procedure (28 App. U.S.C.).

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-364, div. C, title XXXV, § 3505(b), Oct. 17, 2006, 120 Stat. 2517, provided that: “Paragraph (6) of section 1303(e) of the Merchant Marine Act, 1936 ([former] 46 U.S.C. App. 1295b(e)) [see Amendments Not Shown in Text note above], as added by this section, applies only to an individual who enrolls as a cadet at the United States Merchant Marine Academy, and signs an agreement under paragraph (1) of that section [now 46 U.S.C. 51306(a)], after the date of the enactment of this Act [Oct. 17, 2006].”

Pub. L. 109-364, div. C, title XXXV, § 3506(b), Oct. 17, 2006, 120 Stat. 2517, provided that: “The amendment made by this section [enacting par. (7) of former 46 U.S.C. App. 1295b(e), see Amendments Not Shown in Text note above] does not apply with respect to an agreement entered into under section 1303(e) of the Merchant Marine Act, 1936 ([former] 46 U.S.C. [App.] 1295b(e)) [see 46 U.S.C. 51306(a)] before the date of the enactment of this Act [Oct. 17, 2006].”

§ 51307. Places of training

The Secretary of Transportation may provide for the training of cadets at the United States Merchant Marine Academy—

(1) on vessels owned or subsidized by the United States Government;

(2) on other documented vessels, with the permission of the owner; and

(3) in shipyards or plants and with industrial or educational organizations.

(Pub. L. 109-304, § 8(b), Oct. 6, 2006, 120 Stat. 1574; Pub. L. 109-241, title III, § 307, July 11, 2006, 120 Stat. 528.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1295b(f) of the former Appendix to this title, which was amended by Pub. L. 109-241, title III, § 307, July 11, 2006, 120 Stat. 528. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1295b(f) of the former Appendix to this title was amended as follows:

(1) by striking “and” at the end of paragraph (2);
 (2) by striking the period at the end of paragraph (3) and inserting “; and”; and
 (3) by adding at the end the following:

“(4) on any other vessel considered by the Secretary to be necessary or appropriate or in the national interest.”

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51307	46 App.:1295b(f).	June 29, 1936, ch. 858, title XIII, § 1303(f), as added Pub. L. 96-453, § 2, Oct. 15, 1980, 94 Stat. 2002.

In paragraph (2), the words “with the permission of the owner” are substituted for “if the owner . . . cooperates in such use” for clarity.

§ 51308. Uniforms, textbooks, and transportation allowances

The Secretary of Transportation shall provide cadets at the United States Merchant Marine Academy—

- (1) all required uniforms and textbooks; and
- (2) allowances for transportation (including reimbursement of traveling expenses) when traveling under orders as a cadet.

(Pub. L. 109–304, § 8(b), Oct. 6, 2006, 120 Stat. 1574.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51308	46 App.:1295b(d).	June 29, 1936, ch. 858, title XIII, § 1303(d), as added Pub. L. 96–453, § 2, Oct. 15, 1980, 94 Stat. 2000.

§ 51309. Academic degree

(a) BACHELOR'S DEGREE.—

(1) IN GENERAL.—The Superintendent of the United States Merchant Marine Academy may confer the degree of bachelor of science on an individual who—

(A) has met the conditions prescribed by the Secretary of Transportation; and

(B) if a citizen of the United States, has passed the examination for a merchant marine officer's license.

(2) EFFECT OF PHYSICAL DISQUALIFICATION.—An individual not allowed to take the examination for a merchant marine officer's license only because of physical disqualification may not be denied a degree for not taking the examination.

(b) MASTER'S DEGREE.—The Superintendent of the Academy may confer a master's degree on an individual who has met the conditions prescribed by the Secretary. A master's degree program may be funded through non-appropriated funds. To maintain the appropriate academic standards, the program shall be accredited by the appropriate accreditation body. The Secretary may prescribe regulations necessary to administer such a program.

(c) GRADUATION NOT ENTITLEMENT TO HOLD LICENSE.—Graduation from the Academy does not entitle an individual to hold a license authorizing service on a merchant vessel.

(Pub. L. 109–304, § 8(b), Oct. 6, 2006, 120 Stat. 1574.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51309(a)	46 App.:1295b(g)(1).	June 29, 1936, ch. 858, title XIII, § 1303(g), as added Pub. L. 96–453, § 2, Oct. 15, 1980, 94 Stat. 2002; restated Pub. L. 108–136, title XXXV, § 3515(c), Nov. 24, 2003, 117 Stat. 1794.
51309(b)	46 App.:1295b(g)(2).	June 29, 1936, ch. 858, title XIII, § 1303(b)(8), as added Pub. L. 96–453, § 2, Oct. 15, 1980, 94 Stat. 1997; Pub. L. 99–368, § 5, Aug. 1, 1986, 100 Stat. 776.
51309(c)	46 App.:1295b(b)(8).	

§ 51310. Deferment of service obligation under cadet commitment agreements

The Secretary of Transportation may defer the service commitment of an individual under section 51306(a)(5) of this title (as specified in the cadet commitment agreement) for not more than 2 years if the individual is engaged in a graduate course of study approved by the Secretary. However, deferment of service as a commissioned officer under section 51306(a)(5) must be approved by the Secretary of the military department that has jurisdiction over the service or by the Secretary of Commerce for service with the National Oceanic and Atmospheric Administration.

(Pub. L. 109–304, § 8(b), Oct. 6, 2006, 120 Stat. 1575.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51310	46 App.:1295b(e)(5).	June 29, 1936, ch. 858, title XIII, § 1303(e)(5), as added Pub. L. 96–453, § 2, Oct. 15, 1980, 94 Stat. 2001; Pub. L. 97–31, § 12(144)(B), Aug. 6, 1981, 95 Stat. 166; Pub. L. 108–136, title XXXV, § 3515(b)(6), Nov. 24, 2003, 117 Stat. 1793.

§ 51311. Midshipman status in the Naval Reserve

(a) APPLICATION REQUIREMENT.—Before being appointed as a cadet at the United States Merchant Marine Academy, a citizen of the United States must agree to apply for midshipman status in the Naval Reserve (including the Merchant Marine Reserve, Naval Reserve).

(b) APPOINTMENT.—

(1) IN GENERAL.—A citizen of the United States appointed as a cadet at the Academy shall be appointed by the Secretary of the Navy as a midshipman in the Naval Reserve (including the Merchant Marine Reserve, Naval Reserve).

(2) RIGHTS AND PRIVILEGES.—The Secretary of the Navy shall provide for cadets of the Academy who are midshipmen in the United States Naval Reserve to be—

(A) issued an identification card (referred to as a “military ID card”); and

(B) entitled to all rights and privileges in accordance with the same eligibility criteria as apply to other members of the Ready Reserve of the reserve components of the armed forces.

(3) COORDINATION.—The Secretary of the Navy shall carry out paragraphs (1) and (2) in coordination with the Secretary of Transportation.

(Pub. L. 109–304, § 8(b), Oct. 6, 2006, 120 Stat. 1575; Pub. L. 109–163, div. A, title V, § 515(g)(2), Jan. 6, 2006, 119 Stat. 3236.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from provisions of section 1295b of the former Appendix to this title, which was amended by Pub. L. 109–163, div. A, title V, § 515(g)(2), Jan. 6, 2006, 119 Stat. 3236. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section

101 of this title. Section 1295b of the former Appendix to this title was amended by striking “Naval Reserve” each place it appears and inserting “Navy Reserve” and by striking “NAVAL RESERVE” in subsec. (c) and inserting “NAVY RESERVE”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51311(a)	46 App.:1295b(b)(3)(F).	June 29, 1936, ch. 858, title XIII, §1303(b)(3)(F), (c), as added Pub. L. 96-453, §2, Oct. 15, 1980, 94 Stat. 1999, 2000; Pub. L. 105-261, div. A, title V, §568, Oct. 17, 1998, 112 Stat. 2031; Pub. L. 106-65, div. A, title X, §1066(b)(5), Oct. 5, 1999, 113 Stat. 772.
51311(b)	46 App.:1295b(c).	

§ 51312. Board of Visitors

(a) IN GENERAL.—A Board of Visitors to the United States Merchant Marine Academy shall be established, for a term of 2 years commencing at the beginning of each Congress, to visit the Academy annually on a date determined by the Secretary of Transportation and to make recommendations on the operation of the Academy.

(b) APPOINTMENT.—

(1) IN GENERAL.—The Board shall be composed of—

(A) 2 Senators appointed by the chairman of the Committee on Commerce, Science, and Transportation of the Senate;

(B) 3 Members of the House of Representatives appointed by the chairman of the Committee on Armed Services of the House of Representatives;

(C) 1 Senator appointed by the Vice President;

(D) 2 Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

(E) the chairmen of the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Armed Services of the House of Representatives, as ex officio members.

(2) SUBSTITUTE APPOINTMENT.—If an appointed member of the Board is unable to visit the Academy as provided in subsection (a), another individual may be appointed as a substitute in the manner provided in paragraph (1).

(c) STAFF.—The chairmen of the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Armed Services of the House of Representatives may designate staff members of their committees to serve without reimbursement as staff for the Board.

(d) TRAVEL EXPENSES.—When serving away from home or regular place of business, a member of the Board or a staff member designated under subsection (c) shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1575.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51312	46 App.:1295b(h).	June 29, 1936, ch. 858, title XIII, §1303(h), as added Pub. L. 96-453, §2, Oct. 15, 1980, 94 Stat. 2002; Pub. L. 97-35, title XVI, §1607, Aug. 13, 1981, 95 Stat. 752; Pub. L. 101-595, title VII, §703, Nov. 16, 1990, 104 Stat. 2994.

The words “Committee on Armed Services” are substituted for “Committee on Merchant Marine and Fisheries” to reflect changes in committee structure made by the 104th Congress.

§ 51313. Advisory Board

(a) IN GENERAL.—An Advisory Board to the United States Merchant Marine Academy shall be established to visit the Academy at least once during each academic year, for the purpose of examining the course of instruction and management of the Academy and advising the Maritime Administrator and the Superintendent of the Academy.

(b) APPOINTMENT AND TERMS.—The Board shall be composed of not more than 7 individuals appointed by the Secretary of Transportation. The individuals must be distinguished in education and other fields related to the Academy. Members of the Board shall be appointed for terms of not more than 3 years and may be reappointed. The Secretary shall designate one of the members as chairman.

(c) TRAVEL EXPENSES.—When serving away from home or regular place of business, a member of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5.

(d) RELATIONSHIP TO OTHER LAW.—The Federal Advisory Committee Act (5 App. U.S.C.) does not apply to the Board.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1576.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51313	46 App.:1295b(i).	June 29, 1936, ch. 858, title XIII, §1303(i), as added Pub. L. 96-453, §2, Oct. 15, 1980, 94 Stat. 2002; Pub. L. 97-31, §12(14)(C), Aug. 6, 1981, 95 Stat. 166.

REFERENCES IN TEXT

The Federal Advisory Committee Act, referred to in subsec. (d), is Pub. L. 92-463, Oct. 6, 1972, 86 Stat. 770, which is set out in the Appendix to Title 5, Government Organization and Employees.

§ 51314. Limitation on charges and fees for attendance

(a) PROHIBITION.—Except as provided in subsection (b), no charge or fee for tuition, room, or board for attendance at the United States Merchant Marine Academy may be imposed unless the charge or fee is specifically authorized by a law enacted after October 5, 1994.

(b) EXCEPTION.—The prohibition specified in subsection (a) does not apply with respect to any item or service provided to cadets for which a charge or fee is imposed as of October 5, 1994.

The Secretary of Transportation shall notify Congress of any change made by the Academy in the amount of a charge or fee authorized under this subsection.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1576.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51314	46 App.:1295b(j).	June 29, 1936, ch. 858, title XIII, §1303(j), as added Pub. L. 108–375, Oct. 28, 2004, div. A, title V, §545(e), 118 Stat. 1909.

CHAPTER 515—STATE MARITIME ACADEMY SUPPORT PROGRAM

Sec.

- 51501. General support program.
- 51502. Detailing of personnel.
- 51503. Regional maritime academies.
- 51504. Use of training vessels.
- 51505. Annual payments for maintenance and support.
- 51506. Conditions to receiving payments and use of vessels.
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- 51509. Student incentive payment agreements.
- 51510. Deferment of service obligation under student incentive payment agreements.
- 51511. Midshipman status in the Naval Reserve.

§ 51501. General support program

(a) ASSISTANCE TO STATE MARITIME ACADEMIES.—The Secretary of Transportation shall cooperate with and assist State maritime academies in providing instruction to individuals to prepare them for service in the merchant marine of the United States.

(b) COURSE DEVELOPMENT.—The Secretary shall provide to each State maritime academy guidance and assistance in developing courses on the operation and maintenance of new vessels, on equipment, and on innovations being introduced to the merchant marine of the United States.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1577.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51501(a)	46 App.:1295c(a).	June 29, 1936, ch. 858, title XIII, §1304(a), (d)(2), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 2003, 2004.
51501(b)	46 App.:1295c(d)(2).	

§ 51502. Detailing of personnel

At the request of the Governor of a State, the President may detail, without reimbursement, personnel of the Navy, the Coast Guard, and the Maritime Service to a State maritime academy to serve as a superintendent, professor, lecturer, or instructor at the academy.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1577.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51502	46 App.:1295c(e).	June 29, 1936, ch. 858, title XIII, §1304(e), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 2004.

The reference to territories is omitted as unnecessary because of the definition of “State” in chapter 1 of the revised title.

§ 51503. Regional maritime academies

The Governors of the States cooperating to sponsor a regional maritime academy shall designate in writing one of those States to conduct the affairs of that academy. A regional maritime academy is eligible for assistance from the United States Government on the same basis as a State maritime academy sponsored by a single State.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1577.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51503	46 App.:1295c(b).	June 29, 1936, ch. 858, title XIII, §1304(b), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 2003.

The reference to territories is omitted as unnecessary because of the definition of “State” in chapter 1 of the revised title.

§ 51504. Use of training vessels

(a) APPLICATIONS TO USE VESSELS.—The Governor of a State sponsoring a State maritime academy (or the Governor of the State designated to conduct the affairs of a regional maritime academy) may apply in writing to the Secretary of Transportation to obtain the use of a training vessel for the academy. A vessel provided under this section remains the property of the United States Government.

(b) GENERAL AUTHORITY.—Subject to subsection (c), the Secretary may provide to a State maritime academy, for use as a training vessel, a suitable vessel under the control of the Secretary or made available to the Secretary under subsection (e). If a suitable vessel is not available, the Secretary may build and provide a suitable vessel.

(c) APPROVAL REQUIREMENTS.—The Secretary may provide a vessel under this section only if—

(1) an application has been made under subsection (a);

(2) the State maritime academy satisfies section 51506(a) of this title; and

(3) a suitable port will be available for the safe mooring of the vessel while the academy is using the vessel.

(d) PREPARATION AND MAINTENANCE.—A vessel provided under this section shall be—

(1) repaired, reconditioned, and equipped (with all apparel, charts, books, and instruments of navigation) as necessary for use as a training vessel; and

(2) maintained in good repair by the Secretary.

(e) AGENCY VESSELS.—An agency may provide to the Secretary, for use by a State maritime academy, a vessel (including equipment) that—

- (1) is suitable for training purposes; and
 (2) can be provided without detriment to the service to which the vessel is assigned.

(f) **FUEL COSTS.**—The Secretary may pay to a State maritime academy the costs of fuel used by a vessel provided under this section while used for training.

(g) **REMOVING VESSELS FROM SERVICE AND VESSEL SHARING.**—The Secretary may not—

- (1) take a vessel, currently in use as a training vessel under this section, out of service to implement an alternative program (including vessel sharing) unless the vessel is incapable of being maintained in good repair as required by subsection (d); or
 (2) implement a program requiring a State maritime academy to share its training vessel with another State maritime academy, except with the express consent of Congress.

(Pub. L. 109–304, § 8(b), Oct. 6, 2006, 120 Stat. 1577; Pub. L. 109–163, div. C, title XXXV, § 3502(b), Jan. 6, 2006, 119 Stat. 3548.)

AMENDMENT NOT SHOWN IN TEXT

Subsection (f) of this section was derived from section 1295c(c)(2) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, § 3502(b), Jan. 6, 2006, 119 Stat. 3548. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1295c(c)(2) of the former Appendix to this title was amended—

(1) by striking “The Secretary may pay to any State maritime academy” and inserting “(A) The Secretary shall, subject to the availability of appropriations, pay to each State maritime academy”; and

(2) by adding at the end the following:

“(B) The amount of the payment to a State maritime academy under this paragraph shall not exceed—

- “(i) \$100,000 for fiscal year 2006;
 “(ii) \$200,000 for fiscal year 2007; and
 “(iii) \$300,000 for fiscal year 2008 and each fiscal year thereafter.”*

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51504(a)	46 App.:1295c(c)(1) (A)(ii), (v).	June 29, 1936, ch. 858, title XIII, § 1304(c)(1), (2), as added Pub. L. 96–453, § 2, Oct. 15, 1980, 94 Stat. 2003.
51504(b)	46 App.:1295c(c)(1) (A) (1st sentence words before “meeting the requirements”).	
51504(c)(1) ..	46 App.:1295c(c)(1) (A)(ii).	
51504(c)(2) ..	46 App.:1295c(c)(1) (A) (1st sentence words beginning with “meeting the requirements”).	
51504(c)(3) ..	46 App.:1295c(c)(1) (A)(iii).	
51504(d)(1) ..	46 App.:1295c(c)(1) (A)(i).	
51504(d)(2) ..	46 App.:1295c(c)(1) (A)(iv).	
51504(e)	46 App.:1295c(c)(1) (B).	
51504(f)	46 App.:1295c(c)(2).	
51504(g)	46 App.:1295c note.	Pub. L. 101–115, § 4, Oct. 13, 1989, 103 Stat. 692; Pub. L. 101–595, title VII, § 705, Nov. 16, 1990, 104 Stat. 2994.

In subsection (a), the reference to territories is omitted as unnecessary because of the definition of “State” in chapter 1 of the revised title.

In subsection (e), before paragraph (1), the word “agency” is substituted for “department or agency of the United States” because of the definition of “agency” in chapter 1 of the revised title.

In subsection (g), the 1st–3d sentences of section 4 of Public Law 101–115 are omitted as obsolete.

§ 51505. Annual payments for maintenance and support

(a) **PAYMENT AGREEMENTS.**—The Secretary of Transportation may make an agreement (effective for not more than 4 years) with the following academies to provide annual payments to those academies for their maintenance and support:

- (1) One State maritime academy in each State that satisfies section 51506(a) of this title.
 (2) Each regional maritime academy that satisfies section 51506(a) of this title.

(b) **PAYMENTS.**—

(1) **IN GENERAL.**—Subject to paragraph (2), an annual payment to an academy under subsection (a) shall be at least equal to the amount given to the academy for its maintenance and support by the State in which it is located, or, for a regional maritime academy, by all States cooperating to sponsor the academy.

(2) **MAXIMUM.**—The amount under paragraph (1) may not be more than \$25,000. However, if the academy satisfies section 51506(b) of this title, the amount shall be—

- (A) \$100,000 for a State maritime academy;
 and
 (B) \$200,000 for a regional maritime academy.

(Pub. L. 109–304, § 8(b), Oct. 6, 2006, 120 Stat. 1578; Pub. L. 109–163, div. C, title XXXV, § 3502(a), Jan. 6, 2006, 119 Stat. 3547.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1295c(d)(1) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, § 3502(a), Jan. 6, 2006, 119 Stat. 3547. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1295c(d)(1) of the former Appendix to this title was amended in subparagraph (C)(ii) (corresponding to subsection (b)(2)(B) of this section) by striking “\$200,000” and inserting “\$300,000 for fiscal year 2006, \$400,000 for fiscal year 2007, and \$500,000 for fiscal year 2008 and each fiscal year thereafter”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51505	46 App.:1295c(d)(1).	June 29, 1936, ch. 858, title XIII, § 1304(d)(1), as added Pub. L. 96–453, § 2, Oct. 15, 1980, 94 Stat. 2004; Pub. L. 101–115, § 5, Oct. 13, 1989, 103 Stat. 693.

In subsection (b)(1), the reference to territories is omitted as unnecessary because of the definition of “State” in chapter 1 of the revised title.

§ 51506. Conditions to receiving payments and use of vessels

(a) GENERAL CONDITIONS.—As conditions of receiving an annual payment or the use of a vessel under this chapter, a State maritime academy must—

(1) provide courses of instruction on navigation, marine engineering (including steam and diesel propulsion), the operation and maintenance of new vessels and equipment, and innovations being introduced to the merchant marine of the United States;

(2) agree in writing to conform to the standards for courses, training facilities, admissions, and instruction that the Secretary of Transportation may establish after consultation with the superintendents of State maritime academies; and

(3) agree in writing to require, as a condition for graduation, that each individual who is a citizen of the United States and who is attending the academy in a merchant marine officer preparation program pass the examination required for the issuance of a license under section 7101 of this title.

(b) ADDITIONAL CONDITION TO PAYMENTS OF MORE THAN \$25,000.—As a condition of receiving an annual payment of more than \$25,000 under section 51505 of this title, a State maritime academy also must agree to admit each year a number of citizens of the United States who meet its admission requirements and reside in a State not supporting that academy. The Secretary shall determine the number of individuals to be admitted by each academy under this subsection. The number may not be more than one-third of the total number of individuals attending the academy at any time.

(Pub. L. 109–304, § 8(b), Oct. 6, 2006, 120 Stat. 1579.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51506	46 App.:1295c(f).	June 29, 1936, ch. 858, title XIII, § 1304(f), as added Pub. L. 96–453, § 2, Oct. 15, 1980, 94 Stat. 2004; Pub. L. 101–115, § 3(a), Oct. 13, 1989, 103 Stat. 692.

In subsection (a)(3), the words “administered by the Coast Guard” are omitted as unnecessary.

§ 51507. Places of training

The Secretary of Transportation may provide for the training of students attending a State maritime academy—

(1) on vessels owned or subsidized by the United States Government;

(2) on other documented vessels, with the permission of the owner; and

(3) in shipyards or plants and with industrial or educational organizations.

(Pub. L. 109–304, § 8(b), Oct. 6, 2006, 120 Stat. 1579.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51507	46 App.:1295c(c) (3)(A).	June 29, 1936, ch. 858, title XIII, § 1304(c)(3)(A), as added Pub. L. 96–453, § 2, Oct. 15, 1980, 94 Stat. 2003.

In paragraph (2), the words “with the permission of the owner” are substituted for “if the owner . . . co-operates in such use” for clarity.

§ 51508. Allowances for students

Under regulations prescribed by the Secretary of Transportation, a student at a State maritime academy shall receive from the Secretary allowances for transportation (including reimbursement of traveling expenses) when traveling under orders to receive training under section 51507 of this title.

(Pub. L. 109–304, § 8(b), Oct. 6, 2006, 120 Stat. 1579.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51508	46 App.:1295c(c) (3)(B).	June 29, 1936, ch. 858, title XIII, § 1304(c)(3)(B), as added Pub. L. 96–453, § 2, Oct. 15, 1980, 94 Stat. 2004.

§ 51509. Student incentive payment agreements

(a) GENERAL AUTHORITY.—If a State maritime academy has an agreement with the Secretary of Transportation under section 51505 of this title, the Secretary may make an agreement with a student at the academy who is a citizen of the United States to make student incentive payments to the individual. An agreement with a student may not be effective for more than 4 academic years. The Secretary shall allocate payments under this section among the various State maritime academies in an equitable manner.

(b) PAYMENTS.—Payments under an agreement under this section shall be equal to \$4,000 each academic year and be paid, as prescribed by the Secretary, while the individual is attending the academy. The payments shall be used for uniforms, books, and subsistence.

(c) MIDSHIPMAN AND ENLISTED RESERVE STATUS.—An agreement under this section shall require the student to accept midshipman and enlisted reserve status in the Naval Reserve (including the Merchant Marine Reserve, Naval Reserve) before receiving any payments under the agreement.

(d) AGREEMENT REQUIREMENTS.—An agreement under this section shall require the student to—

(1) complete the course of instruction at the academy the individual is attending;

(2) take the examination for a license as an officer in the merchant marine of the United States before graduation from the academy and fulfill the requirements for such a license within 3 months after graduation from the academy;

(3) maintain a valid license as an officer in the merchant marine of the United States for at least 6 years after graduation from the academy, accompanied by the appropriate national and international endorsements and certification required by the Coast Guard for service aboard vessels on domestic and international voyages;

(4) accept, if tendered, an appointment as a commissioned officer in the Naval Reserve (including the Merchant Marine Reserve, Naval Reserve), the Coast Guard Reserve, or any other reserve unit of an armed force of the

United States, and, if tendered the appointment, to serve for at least 6 years after graduation from the academy;

(5) serve the foreign and domestic commerce and the national defense of the United States for at least 3 years after graduation from the academy—

(A) as a merchant marine officer on a documented vessel or a vessel owned and operated by the United States Government or by a State;

(B) as an employee in a United States maritime-related industry, profession, or marine science (as determined by the Secretary), if the Secretary determines that service under subparagraph (A) is not available to the individual;

(C) as a commissioned officer on active duty in an armed force of the United States, as a commissioned officer in the National Oceanic and Atmospheric Administration, or in other maritime-related Federal employment which serves the national security interests of the United States, as determined by the Secretary; or

(D) by a combination of the service alternatives referred to in subparagraphs (A)–(C); and

(6) report to the Secretary on compliance with this subsection.

(e) FAILURE TO COMPLETE COURSE OF INSTRUCTION.—

(1) ACTIVE DUTY.—If the Secretary of Transportation determines that an individual who has accepted the payments described in subsection (b) for a minimum of 2 academic years has failed to fulfill the part of the agreement described in subsection (d)(1), the individual may be ordered by the Secretary of Defense to serve on active duty in the armed forces of the United States for a period of not more than 2 years. In cases of hardship as determined by the Secretary of Transportation, the Secretary of Transportation may waive this paragraph in whole or in part.

(2) RECOVERY OF COST.—If the Secretary of Defense is unable or unwilling to order an individual to serve on active duty under paragraph (1), or if the Secretary of Transportation determines that reimbursement of the cost of education provided would better serve the interests of the United States, the Secretary of Transportation may recover from the individual the amount of student incentive payments, plus interest and attorney fees. The Secretary may reduce the amount to be recovered to reflect partial performance of service obligations and other factors the Secretary determines merit a reduction.

(f) FAILURE TO CARRY OUT OTHER REQUIREMENTS.—

(1) ACTIVE DUTY.—If the Secretary of Transportation determines that an individual has failed to fulfill any part of the agreement described in subsection (d)(2)–(6), the individual may be ordered to serve on active duty for a period of at least 2 years but not more than the unexpired period (as determined by the Secretary) of the service required by subsection (d)(5). The Secretary of Transpor-

tation, in consultation with the Secretary of Defense, shall determine in which service the individual shall serve. In cases of hardship as determined by the Secretary of Transportation, the Secretary of Transportation may waive this paragraph in whole or in part.

(2) RECOVERY OF COST.—If the Secretary of Defense is unable or unwilling to order an individual to serve on active duty under paragraph (1), or if the Secretary of Transportation determines that reimbursement of the cost of education provided would better serve the interests of the United States, the Secretary of Transportation may recover from the individual the amount of student incentive payments, plus interest and attorney fees. The Secretary may reduce the amount to be recovered to reflect partial performance of service obligations and other factors the Secretary determines merit a reduction.

(g) ACTIONS TO RECOVER COST.—To aid in the recovery of the cost of education provided by the Government under a commitment agreement under this section, the Secretary of Transportation may—

(1) request the Attorney General to bring a civil action against the individual; and

(2) make use of the Federal debt collection procedures in chapter 176 of title 28 or other applicable administrative remedies.

(Pub. L. 109–304, § 8(b), Oct. 6, 2006, 120 Stat. 1579; Pub. L. 109–163, div. A, title V, § 515(g)(2)(A), Jan. 6, 2006, 119 Stat. 3236; Pub. L. 109–364, div. C, title XXXV, § 3508, Oct. 17, 2006, 120 Stat. 2517.)

AMENDMENTS NOT SHOWN IN TEXT

This section was derived from provisions of section 1295c(g) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. A, title V, § 515(g)(2)(A), Jan. 6, 2006, 119 Stat. 3236, and Pub. L. 109–364, div. C, title XXXV, § 3508, Oct. 17, 2006, 120 Stat. 2517. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1295c(g) of the former Appendix to this title was amended by striking “Naval Reserve” each place it appears and inserting “Navy Reserve” and by amending paragraph (2) to read as follows:

“(2) Each agreement entered into under paragraph (1) shall require the individual to accept enlisted reserve status in the United States Naval Reserve (including the Merchant Marine Reserve, United States Naval Reserve) or the United States Coast Guard Reserve before receiving any student incentive payments under this subsection.”

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51509(a)	46 App. 1295c(g)(1) (words before 5th comma, cl. (A)), (8).	June 29, 1936, ch. 858, title XIII, § 1304(g)(1)–(5), (8), as added Pub. L. 96–453, § 2, Oct. 15, 1980, 94 Stat. 2004, 2006; Pub. L. 97–31, § 12(145)(A), Aug. 6, 1981, 95 Stat. 166; Pub. L. 101–115, § 2(a)–(d), Oct. 13, 1989, 103 Stat. 691; Pub. L. 102–587, title VI, § 6201(a)(1), (b), (c), Nov. 4, 1992, 106 Stat. 5093; Pub. L. 108–136, title XXXV, § 3515(d), Nov. 24, 2003, 117 Stat. 1794.

HISTORICAL AND REVISION NOTES—CONTINUED

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51509(b)	46 App.:1295c(g)(1) (words between 5th comma and dash, cls. (B), (C)).	
51509(c)	46 App.:1295c(g)(2)	
51509(d)	46 App.:1295c(g)(3)	
51509(e)	46 App.:1295c(g)(4)	
51509(f)	46 App.:1295c(g)(5)	
51509(g)	46 App.:1295c(g)(6)	

In subsection (a), the text of 46 App. U.S.C. 1295c(g)(8) is omitted as obsolete.

In subsection (g), the words “bring a civil action” are substituted for “begin court proceedings” for consistency in the revised title and with rule 2 of the Federal Rules of Civil Procedure (28 App. U.S.C.).

§ 51510. Deferment of service obligation under student incentive payment agreements

The Secretary of Transportation may defer the service commitment of an individual under section 51509(d)(5) of this title (as specified in the agreement under section 51509) for not more than 2 years if the individual is engaged in a graduate course of study approved by the Secretary. However, deferment of service as a commissioned officer on active duty must be approved by the Secretary of the affected military department (or the Secretary of Commerce, for service with the National Oceanic and Atmospheric Administration).

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1581.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51510	46 App.:1295c(g)(7).	June 29, 1936, ch. 858, title XIII, §1304(g)(7), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 2006; Pub. L. 97–31, §12(145)(B), Aug. 6, 1981, 95 Stat. 166; Pub. L. 108–136, title XXXV, §3515(d)(7), Nov. 24, 2003, 117 Stat. 1795.

The words “affected military department” are substituted for “military department . . . which has jurisdiction over such service” for clarity and to eliminate unnecessary words.

§ 51511. Midshipman status in the Naval Reserve

A citizen of the United States attending a State maritime academy may be appointed by the Secretary of the Navy as a midshipman in the Naval Reserve (including the Merchant Marine Reserve, Naval Reserve).

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1582; Pub. L. 109–163, div. A, title V, §515(g)(2), Jan. 6, 2006, 119 Stat. 3236.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1295c(h) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. A, title V, §515(g)(2), Jan. 6, 2006, 119 Stat. 3236. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1295c(h) of the former Appendix to this title was amended by striking “Naval Reserve” each place it appears and inserting “Navy Reserve” and by striking “NAVAL RESERVE” and inserting “NAVY RESERVE”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
51511	46 App.:1295c(h).	June 29, 1936, ch. 858, title XIII, §1304(h), as added Pub. L. 96–453, §2, Oct. 15, 1980, 94 Stat. 2006.

CHAPTER 517—OTHER SUPPORT FOR MERCHANT MARINE TRAINING

Sec.

- 51701. United States Maritime Service.
- 51702. Civilian nautical schools.
- 51703. Additional training.
- 51704. Training for maritime oil pollution prevention, response, and clean-up.

§ 51701. United States Maritime Service

(a) GENERAL AUTHORITY.—The Secretary of Transportation may establish and maintain a voluntary organization, to be known as the United States Maritime Service, for the training of citizens of the United States to serve on merchant vessels of the United States.

(b) SPECIFIC AUTHORITY.—The Secretary may—

(1) determine the number of individuals to be enrolled for training and reserve purposes in the Service;

(2) fix the rates of pay and allowances of the individuals without regard to chapter 51 or subchapter III of chapter 53 of title 5;

(3) prescribe the course of study and the periods of training for the Service; and

(4) prescribe the uniform of the Service and the rules on providing and wearing the uniform.

(c) RANKS, GRADES, AND RATINGS.—The ranks, grades, and ratings for personnel of the Service shall be the same as those prescribed for personnel of the Coast Guard.

(d) MEDALS AND AWARDS.—The Secretary may establish and maintain a medals and awards program to recognize distinguished service, superior achievement, professional performance, and other commendable achievement by personnel of the Service.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1582; Pub. L. 109–163, div. C, title XXXV, §3509, Jan. 6, 2006, 119 Stat. 3557; Pub. L. 109–364, div. C, title XXXV, §3510(d)(1), Oct. 17, 2006, 120 Stat. 2520.)

AMENDMENT NOT SHOWN IN TEXT

Subsection (a) of this section was derived from section 1295e(a) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, §3509, Jan. 6, 2006, 119 Stat. 3557, as amended by Pub. L. 109–364, div. C, title XXXV, §3510(d)(1), Oct. 17, 2006, 120 Stat. 2520. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1295e(a) of the former Appendix to this title was amended by inserting “and to perform functions to assist the United States merchant marine, as determined necessary by the Secretary,” after “United States” the second place it appears.

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51701	46 App.:1295e.	June 29, 1936, ch. 858, title XIII, §1306, as added Pub. L. 96-453, §2, Oct. 15, 1980, 94 Stat. 2006; Pub. L. 108-136, title XXXV, §3515(e), Nov. 24, 2003, 117 Stat. 1795.

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-364, div. C, title XXXV, §3510(d)(2), Oct. 17, 2006, 120 Stat. 2521, provided that: “This subsection [amending section 3509 of Pub. L. 109-163 which had amended section 1295e(a) of the former Appendix to this title, from which subsec. (a) of this section is derived] shall be effective immediately after section 3509 of the National Defense Authorization Act for Fiscal Year 2006 (119 Stat. 3557) [Pub. L. 109-163] takes effect [Jan. 6, 2006].”

§ 51702. Civilian nautical schools

(a) DEFINITION.—In this section, the term “civilian nautical school” means a school operated in the United States (except the United States Merchant Marine Academy, a State maritime academy, or another school operated by the United States Government) that offers instruction to individuals quartered on a vessel primarily to train them for service in the merchant marine.

(b) INSPECTION.—Each civilian nautical school is subject to inspection by the Secretary of Transportation.

(c) RATING AND CERTIFICATION.—The Secretary may, under regulations the Secretary may prescribe, provide for the rating and certification of civilian nautical schools as to the adequacy of their course of instruction, the competence of their instructors, and the suitability of the equipment used in their course of instruction.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1582.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51702	46 App.:1295f.	June 29, 1936, ch. 858, title XIII, §1307, as added Pub. L. 96-453, §2, Oct. 15, 1980, 94 Stat. 2007; Pub. L. 98-89, §4(b), Aug. 26, 1983, 97 Stat. 603.

The text of 46 App. U.S.C. 1295f(d) is omitted because it apparently was intended to apply to former 46 App. U.S.C. 1295f(c), which was repealed in 1983.

§ 51703. Additional training

(a) GENERAL AUTHORITY.—The Secretary of Transportation may provide additional training on maritime subjects to supplement other training opportunities and make the training available to the personnel of the merchant marine of the United States and individuals preparing for a career in the merchant marine of the United States.

(b) EQUIPMENT, SUPPLIES, AND CONTRACTS.—The Secretary may—

(1) prepare or buy equipment or supplies required for the additional training; and

(2) without regard to section 3709 of the Revised Statutes (41 U.S.C. 5), make contracts for services the Secretary considers necessary

to prepare the equipment and supplies and to supervise and administer the additional training.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1583.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51703	46 App.:1295d(a), (b).	June 29, 1936, ch. 858, title XIII, §1305(a), (b), as added Pub. L. 96-453, §2, Oct. 15, 1980, 94 Stat. 2006.

In subsection (a), before paragraph (1), the words “as the Secretary deems necessary” are omitted as unnecessary.

In subsection (b), the words “with any person, partnership, firm, association, or corporation” and “the performance of” are omitted as unnecessary.

§ 51704. Training for maritime oil pollution prevention, response, and clean-up

(a) ASSISTANCE IN ESTABLISHING PROGRAM.—The Secretary of Transportation shall assist maritime training institutions approved by the Secretary in establishing a training program for maritime oil pollution prevention, response, and clean-up.

(b) PROVIDING TRAINING VESSELS.—Subject to subsection (c), the Secretary may provide, with title free of all liens, to maritime training institutions that have a program established under subsection (a), offshore supply vessels and tug/supply vessels that were built in the United States and are in the possession of the Maritime Administration because of a default on a loan guaranteed under chapter 537 of this title.

(c) REQUIREMENTS.—In addition to any other requirements the Secretary considers appropriate, the following requirements apply to vessels provided under this section:

(1) The vessel shall be offered to the institution at a location selected by the Secretary.

(2) The institution shall use the vessel to train students and appropriate maritime industry personnel in oil spill prevention, response, clean-up, and related skills.

(3) The institution shall make the vessel and qualified students available to appropriate Federal, State, and local oil spill response authorities when there is a maritime oil spill.

(4) The institution may not sell, trade, charter, donate, scrap, or in any way alter or dispose of the vessel without prior approval of the Secretary.

(5) The institution may not use the vessel in competition with a privately-owned vessel documented under chapter 121 of this title or titled under the law of a State, unless necessary to carry out this section.

(6) When the institution can no longer use the vessel for its training program, the institution shall return the vessel to the Secretary. The Secretary shall take possession at the institution and thereafter may provide the vessel to another institution under this section or dispose of the vessel.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1583.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51704(a)	46 App.:1295d(c)(1).	June 29, 1936, ch. 858, title XIII, §1305(c), as added Pub. L. 101-595, title VII, §712, Nov. 16, 1990, 104 Stat. 2998.
51704(b)	46 App.:1295d(c)(2)(A), (4).	
51704(c)	46 App.:1295d(c)(2)(B), (3).	

In subsection (c)(5), the words “or titled under the law of a State” are substituted for “documented under the laws of . . . any State” for consistency with the terminology in 46 U.S.C. 2101(46) (which is being moved to chapter 1 of the revised title) and 46 U.S.C. ch. 125.

CHAPTER 519—MERCHANT MARINE AWARDS

<i>Sec.</i>	
51901.	Awards for individual acts or service.
51902.	Gallant Ship Award.
51903.	Multiple awards.
51904.	Presentation to representatives.
51905.	Flags and grave markers.
51906.	Special certificates for civilian service to armed forces.
51907.	Manufacture and sale of awards and replacements.
51908.	Prohibition against unauthorized manufacture, sale, possession, or display of awards.

§ 51901. Awards for individual acts or service

(a) **GENERAL AUTHORITY.**—The Secretary of Transportation may award decorations and medals of appropriate design (including ribbons, ribbon bars, emblems, rosettes, miniature facsimiles, plaques, citations, or other suitable devices or insignia) for individual acts or service in the merchant marine of the United States. The design may be similar to the design of a decoration or medal authorized for members of the armed forces for similar acts or service.

(b) **SPECIFIC AUTHORITY.**—The Secretary may award—

(1) a Merchant Marine Distinguished Service Medal to an individual for outstanding acts, conduct, or valor beyond the line of duty;

(2) a Merchant Marine Meritorious Service Medal to an individual for meritorious acts, conduct, or valor in the line of duty, but not of the outstanding character that would warrant the award of the Merchant Marine Distinguished Service Medal;

(3) a decoration or medal to an individual for service during a war, national emergency proclaimed by the President or Congress, or operations by the armed forces outside the continental United States under conditions of danger to life and property; and

(4) a decoration or medal to an individual for other acts or service of conspicuous gallantry, intrepidity, and extraordinary heroism under conditions of danger to life and property that would warrant a similar decoration or medal for a member of the armed forces.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1584.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51901(a)	46 App.:2001.	Pub. L. 100-324, §§2, 3, 5(d), May 30, 1988, 102 Stat. 576, 577.

HISTORICAL AND REVISION NOTES—CONTINUED

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51901(b)	46 App.:2004(d). 46 App.:2002.	

§ 51902. Gallant Ship Award

(a) **AWARDS TO VESSELS.**—The Secretary of Transportation may award a Gallant Ship Award and a citation to a vessel (including a foreign vessel) participating in outstanding or gallant action in a marine disaster or other emergency to save life or property at sea. The Secretary may award a plaque to the vessel, and a replica of the plaque may be preserved as a permanent historical record.

(b) **AWARDS TO CREWS.**—The Secretary of Transportation may award an appropriate citation ribbon bar to the master and each individual serving, at the time of the action, on a vessel issued an award under subsection (a).

(c) **CONSULTATION.**—The Secretary of Transportation shall consult with the Secretary of State before awarding an award or citation to a foreign vessel or its crew under this section.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1584.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51902	46 App.:2003.	Pub. L. 100-324, §4, May 30, 1988, 102 Stat. 576.

In subsection (a), the words “a vessel (including a foreign vessel)” are substituted for “a United States vessel or to a foreign-flag vessel” to eliminate unnecessary words.

§ 51903. Multiple awards

An individual may not be awarded more than one of any type of decoration or medal under this chapter. For each succeeding act or service justifying the same decoration or medal, a suitable device may be awarded to be worn with the decoration or medal.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1585.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51903	46 App.:2004(a).	Pub. L. 100-324, §5(a), May 30, 1988, 102 Stat. 576.

§ 51904. Presentation to representatives

If an individual to be issued an award under this chapter is unable to accept the award personally, the Secretary of Transportation may present the award to an appropriate representative.

(Pub. L. 109-304, §8(b), Oct. 6, 2006, 120 Stat. 1585.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51904	46 App.:2004(b).	Pub. L. 100-324, §5(b), May 30, 1988, 102 Stat. 577.

§ 51905. Flags and grave markers

Except as authorized under another law, the Secretary of Transportation may issue, at no cost, a flag of the United States and a grave marker to the family or personal representative of a deceased individual who served in the merchant marine of the United States in support of the armed forces of the United States or its allies during a war or national emergency.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1585.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51905	46 App.:2005.	Pub. L. 100–324, §6, May 30, 1988, 102 Stat. 577.

§ 51906. Special certificates for civilian service to armed forces

(a) GENERAL AUTHORITY.—The Maritime Administrator may issue a special certificate to an individual, or the personal representative of an individual, in recognition of service of that individual in the merchant marine of the United States, if the service has been determined to be active duty under section 401 of the GI Bill Improvement Act of 1977 (Public Law 95–202; 38 U.S.C. 106 note).

(b) RELATIONSHIP TO OTHER LAWS.—Issuance of a certificate under subsection (a) does not entitle an individual to any rights, privileges, or benefits under a law of the United States.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1585.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51906	46 App.:2006.	Pub. L. 100–324, §7, May 30, 1988, 102 Stat. 577.

§ 51907. Manufacture and sale of awards and replacements

The Secretary of Transportation may—

(1) authorize private persons to manufacture decorations and medals authorized under this chapter or a prior law; and

(2) provide at cost, or authorize private persons to sell at reasonable prices, replacements for those decorations and medals.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1585; Pub. L. 109–163, div. C, title XXXV, §3510, Jan. 6, 2006, 119 Stat. 3557.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 2004(c) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, §3510, Jan. 6, 2006, 119 Stat. 3557. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 2004(c) of the former Appendix to this title was amended by striking “provide at cost, or authorize for the manufacture and sale at reasonable prices by private persons—” and inserting “provide—”.

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51907	46 App.:2004(c).	Pub. L. 100–324, §5(c), May 30, 1988, 102 Stat. 577.

The Secretary’s authority to provide decorations and medals at cost, or to authorize the sale of decorations and medals at reasonable prices, is restated to apply only to replacement awards because Congress probably did not intend that recipients being honored would pay for their decorations and medals.

§ 51908. Prohibition against unauthorized manufacture, sale, possession, or display of awards

(a) PROHIBITION.—Except as authorized under this chapter, a person may not manufacture, sell, possess, or display a decoration or medal provided for in this chapter.

(b) CIVIL PENALTY.—A person violating this section is liable to the United States Government for a civil penalty of not more than \$2,000.

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1585; Pub. L. 109–364, div. C, title XXXV, §3510(b), Oct. 17, 2006, 120 Stat. 2520.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 2007 of the former Appendix to this title, which was amended by Pub. L. 109–364, div. C, title XXXV, §3510(b), Oct. 17, 2006, 120 Stat. 2520. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 2007 of the former Appendix to this title was amended by inserting “or the Secretary of Transportation,” after “chapter,”.

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
51908	46 App.:2007.	Pub. L. 100–324, §8, May 30, 1988, 102 Stat. 577.

In subsection (b), the words “not more than” are added for clarity and for consistency in the revised title.

CHAPTER 521—MISCELLANEOUS

Sec.
52101. Reemployment rights for certain merchant seamen.

§ 52101. Reemployment rights for certain merchant seamen

(a) IN GENERAL.—An individual who is certified by the Secretary of Transportation under subsection (c) shall be entitled to reemployment rights and other benefits substantially equivalent to the rights and benefits provided for by chapter 43 of title 38 for any member of a reserve component of the armed forces of the United States who is ordered to active duty.

(b) TIME FOR APPLICATION.—An individual may submit an application for certification under subsection (c) to the Secretary not later than 45 days after the date the individual completes a period of employment described in subsection (c)(1)(A) with respect to which the application is submitted.

(c) CERTIFICATION DETERMINATION.—Not later than 20 days after the date the Secretary re-

ceives from an individual an application for certification under this subsection, the Secretary shall—

(1) determine whether the individual—

(A) was employed in the activation or operation of a vessel—

(i) in the National Defense Reserve Fleet maintained under section 11 of the Merchant Ship Sales Act of 1946 (50 App. U.S.C. 1744) in a period in which the vessel was in use or being activated for use under subsection (b) of that section;

(ii) requisitioned or purchased under chapter 563 of this title; or

(iii) owned, chartered, or controlled by the United States Government and used by the Government for a war, armed conflict, national emergency, or maritime mobilization need (including for training purposes or testing for readiness and suitability for mission performance); and

(B) during the period of that employment, possessed a valid license, certificate of registry, or merchant mariner's document issued under chapter 71 or 73 of this title; and

(2) if the Secretary makes affirmative determinations under subparagraphs (A) and (B) of paragraph (1), certify that individual under this subsection.

(d) **EQUIVALENCE TO MILITARY SELECTIVE SERVICE ACT CERTIFICATE.**—For purposes of reemployment rights and benefits provided by this section, a certification under subsection (c) shall be considered to be the equivalent of a certificate described in section 9(a) of the Military Selective Service Act (50 App. U.S.C. 459(a)).

(Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1585.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
52101	46 App.:1132.	June 29, 1936, ch. 858, title III, §302, as added Pub. L. 104–239, §10(a), Oct. 8, 1996, 110 Stat. 3133.

In subsection (c)(1)(B), the words “(as applicable)” are omitted as unnecessary.

In subsection (d), the words “certificate described in section 9(a) of the Military Selective Service Act (50 App. U.S.C. 459(a))” are substituted for “certificate referred to in paragraph (1) of section 4301(a) of title 38” because section 4301 of title 38 was amended generally by section 2(a) of Public Law 103–353, and before the amendment section 4301(a)(1) referred to a certificate described in section 9(a) of the Military Selective Service Act (50 App. U.S.C. 459(a)).

PART C—FINANCIAL ASSISTANCE PROGRAMS

AMENDMENTS

2006—Pub. L. 109–304, §8(b), Oct. 6, 2006, 120 Stat. 1586, inserted “Part C—Financial Assistance Programs”.

CHAPTER 531—MARITIME SECURITY FLEET

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§ 53101. Definitions

In this chapter:

(1) **BULK CARGO.**—The term “bulk cargo” means cargo that is loaded and carried in bulk without mark or count.

(2) **CONTRACTOR.**—The term “contractor” means an owner or operator of a vessel that enters into an operating agreement for the vessel with the Secretary under section 53103.

(3) **FLEET.**—The term “Fleet” means the Maritime Security Fleet established under section 53102(a).

(4) **FOREIGN COMMERCE.**—The term “foreign commerce”—

(A) subject to subparagraph (B), means—

(i) commerce or trade between the United States, its territories or possessions, or the District of Columbia, and a foreign country; and

(ii) commerce or trade between foreign countries; and

(B) includes, in the case of liquid and dry bulk cargo carrying services, trading between foreign ports in accordance with normal commercial bulk shipping practices in such manner as will permit United States–documented vessels freely to compete with foreign-flag bulk carrying vessels in their operation or in competing for charters, subject to rules and regulations promulgated by the Secretary of Transportation pursuant to this chapter or subtitle D of the Maritime Security Act of 2003.

(5) **LASH VESSEL.**—The term “LASH vessel” means a lighter aboard ship vessel.

(6) **PARTICIPATING FLEET VESSEL.**—The term “participating fleet vessel” means any vessel that—

(A) on October 1, 2005—

(i) meets the requirements of paragraph (1), (2), (3), or (4) of section 53102(c); and

(ii) is less than 25 years of age, or less than 30 years of age in the case of a LASH vessel; and

(B) on December 31, 2004, is covered by an operating agreement under subtitle B of title VI of the Merchant Marine Act, 1936 (46 U.S.C. App. 1187 et seq.).¹

(7) **PERSON.**—The term “person” includes corporations, partnerships, and associations existing under or authorized by the laws of the United States, or any State, Territory, District, or possession thereof, or of any foreign country.

(8) **PRODUCT TANK VESSEL.**—The term “product tank vessel” means a double hulled tank vessel capable of carrying simultaneously more than 2 separated grades of refined petroleum products.

¹ See References in Text note below.

(9) SECRETARY.—The term “Secretary” means the Secretary of Transportation.

(10) TANK VESSEL.—The term “tank vessel” has the meaning that term has under section 2101 of this title.

(11) UNITED STATES.—The term “United States” includes the District of Columbia, the Commonwealth of Puerto Rico, the Northern Mariana Islands, Guam, American Samoa, the Virgin Islands.

(12) UNITED STATES CITIZEN TRUST.—(A) Subject to subparagraph (C), the term “United States citizen trust” means a trust that is qualified under this paragraph.

(B) A trust is qualified under this paragraph with respect to a vessel only if—

(i) each of the trustees is a citizen of the United States; and

(ii) the application for documentation of the vessel under chapter 121 of this title includes the affidavit of each trustee stating that the trustee is not aware of any reason involving a beneficiary of the trust that is not a citizen of the United States, or involving any other person that is not a citizen of the United States, as a result of which the beneficiary or other person would hold more than 25 percent of the aggregate power to influence or limit the exercise of the authority of the trustee with respect to matters involving any ownership or operation of the vessel that may adversely affect the interests of the United States.

(C) If any person that is not a citizen of the United States has authority to direct or participate in directing a trustee for a trust in matters involving any ownership or operation of the vessel that may adversely affect the interests of the United States or in removing a trustee for a trust without cause, either directly or indirectly through the control of another person, the trust is not qualified under this paragraph unless the trust instrument provides that persons who are not citizens of the United States may not hold more than 25 percent of the aggregate authority to so direct or remove a trustee.

(D) This paragraph shall not be considered to prohibit a person who is not a citizen of the United States from holding more than 25 percent of the beneficial interest in a trust.

(13) UNITED STATES-DOCUMENTED VESSEL.—The term “United States-documented vessel” means a vessel documented under chapter 121 of this title.

(Added Pub. L. 108–136, div. C, title XXXV, § 3531(a), Nov. 24, 2003, 117 Stat. 1803.)

REFERENCES IN TEXT

The Maritime Security Act of 2003, referred to in par. (4)(B), is title XXXV of div. C of Pub. L. 108–136, Nov. 24, 2003, 117 Stat. 1788. Subtitle D of the Act amended section 1273 of the former Appendix to this title and enacted provisions set out as a note under this section. For complete classification of this Act to the Code, see Short Title of 2003 Amendment note set out under section 101 of this title and Tables.

The Merchant Marine Act, 1936, referred to in par. (6)(B), is act June 29, 1936, ch. 858, 49 Stat. 1985. Subtitle B of title VI of the Act was classified generally to part B (§ 1187 et seq.) of subchapter VI of chapter 27 of the

former Appendix to this title prior to repeal by Pub. L. 108–136, div. C, title XXXV, § 3534(a)(1), Nov. 24, 2003, 117 Stat. 1818. For complete classification of this Act to the Code, see Short Title of 1936 Amendment note set out under section 101 of this title and Tables.

EFFECTIVE DATE

Pub. L. 108–136, div. C, title XXXV, § 3537, Nov. 24, 2003, 117 Stat. 1819, provided that:

“(a) IN GENERAL.—Except as provided in subsections (b) and (c), this subtitle [subtitle C (§§ 3531–3537) of title XXXV of div. C of Pub. L. 108–136, enacting this chapter, amending section 12102 of this title and sections 808 and 1162 of the former Appendix to this title, repealing sections 1187 to 1187e and 1222 of the former Appendix to this title, enacting provisions set out as a note under section 53110 of this title, and amending provisions set out as a note under section 53102 of this title] shall take effect October 1, 2004.”

“(b) REPEALS AND CONFORMING AMENDMENTS.—Section 3534 [amending section 12102 of this title, repealing sections 1187 to 1187e and 1222 of the former Appendix to this title, and amending provisions set out as a note under section 1187 of the former Appendix to this title] shall take effect October 1, 2005.”

“(c) OTHER PROVISIONS.—Sections 3533 [enacting provisions set out as a note under section 53110 of this title], 3535 [not classified to the Code], and this section shall take effect on the date of the enactment of this Act [Nov. 24, 2003].”

ASSISTANCE FOR SMALL SHIPYARDS AND MARITIME COMMUNITIES

Pub. L. 109–163, div. C, title XXXV, § 3506, Jan. 6, 2006, 119 Stat. 3553, provided that:

“(a) ESTABLISHMENT OF PROGRAM.—Subject to the availability of appropriations, the Administrator of the Maritime Administration shall establish a program to provide assistance to State and local governments—

“(1) to provide assistance in the form of grants, loans, and loan guarantees to small shipyards for capital improvements; and

“(2) for maritime training programs in communities whose economies are substantially related to the maritime industry.

“(b) AWARDS.—In providing assistance under the program, the Administrator shall—

“(1) take into account—

“(A) the economic circumstances and conditions of maritime communities; and

“(B) the local, State, and regional economy in which the communities are located; and

“(2) strongly encourage State, local, and regional efforts to promote economic development and training that will enhance the economic viability of and quality of life in maritime communities.

“(c) USE OF FUNDS.—Assistance provided under this section may be used—

“(1) to make capital and related improvements in small shipyards located in or near maritime communities; and

“(2) to encourage, assist in, or provide training for residents of maritime communities that will enhance the economic viability of those communities; and

“(3) for such other purposes as the Administrator determines to be consistent with and supplemental to such activities.

“(d) PROHIBITED USES.—Grants awarded under this section may not be used to construct buildings or other physical facilities or to acquire land unless such use is specifically approved by the Administrator in support of subsection (c)(3).

“(e) MATCHING REQUIREMENTS.—

“(1) FEDERAL FUNDING.—Except as provided in paragraph (2), Federal funds for any eligible project under this section shall not exceed 75 percent of the total cost of such project.

“(2) EXCEPTIONS.—

“(A) SMALL PROJECTS.—Paragraph (1) shall not apply to grants under this section for stand alone

projects costing not more than \$25,000. The amount under this subparagraph shall be indexed to the consumer price index and modified each fiscal year after the annual publication of the consumer price index.

“(B) REDUCTION IN MATCHING REQUIREMENT.—If the Administrator determines that a proposed project merits support and cannot be undertaken without a higher percentage of Federal financial assistance, the Administrator may award a grant for such project with a lesser matching requirement than is described in paragraph (1).

“(f) APPLICATION.—

“(1) IN GENERAL.—The Administrator shall determine who, as an eligible applicant, may submit an application, at such time, in such form, and containing such information and assurances as the Administrator may require.

“(2) MINIMUM STANDARDS FOR PAYMENT OR REIMBURSEMENT.—Each application submitted under paragraph (1) shall include—

“(A) a comprehensive description of—

“(i) the need for the project;

“(ii) the methodology for implementing the project; and

“(iii) any existing programs or arrangements that can be used to supplement or leverage assistance under the program.

“(3) PROCEDURAL SAFEGUARDS.—The Administrator, in consultation with the Office of the Inspector General, shall issue guidelines to establish appropriate accounting, reporting, and review procedures to ensure that—

“(A) grant funds are used for the purposes for which they were made available;

“(B) grantees have properly accounted for all expenditures of grant funds; and

“(C) grant funds not used for such purposes and amounts not obligated or expended are returned.

“(4) PROJECT APPROVAL REQUIRED.—The Administrator may not award a grant under this section unless the Administrator determines that—

“(A) sufficient funding is available to meet the matching requirements of subsection (e);

“(B) the project will be completed without unreasonable delay; and

“(C) the recipient has authority to carry out the proposed project.

“(g) AUDITS AND EXAMINATIONS.—All grantees under this section shall maintain such records as the Administrator may require and make such records available for review and audit by the Administrator.

“(h) SMALL SHIPYARD DEFINED.—In this section, the term ‘small shipyard’ means a shipyard that—

“(1) is a small business concern (within the meaning of section 3 of the Small Business Act (15 U.S.C. 632)(1)); and

“(2) does not have more than 600 employees.

“(i) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Administrator of the Maritime Administration for each of fiscal years 2006 through 2010 to carry out this section—

“(1) \$5,000,000 for training grants; and

“(2) \$25,000,000 for capital and related improvement grants.”

MAINTENANCE AND REPAIR REIMBURSEMENT PILOT PROGRAM

Pub. L. 108-136, div. C, title XXXV, § 3517, Nov. 24, 2003, 117 Stat. 1796, as amended by Pub. L. 109-163, div. C, title XXXV, § 3503, Jan. 6, 2006, 119 Stat. 3548, provided that:

“(a) AUTHORITY TO ENTER AGREEMENTS.—

“(1) IN GENERAL.—The Secretary of Transportation shall carry out a pilot program under which the Secretary shall enter into an agreement with 1 or more contractors under chapter 531 of title 46, United States Code, regarding maintenance and repair of 1 or more vessels that are subject to an operating agreement under that chapter.

“(2) REQUIREMENT OF AGREEMENT.—The Secretary shall, subject to the availability of appropriations, require 1 or more persons to enter into an agreement under this section as a condition of awarding an operating agreement to the person under chapter 531 of title 46, United States Code, for 1 or more vessels that normally make port calls in the United States.

“(b) TERMS OF AGREEMENT.—An agreement under this section—

“(1) shall require that except as provided in subsection (c), all qualified maintenance or repair on the vessel shall be performed in the United States;

“(2) shall require that the Secretary shall reimburse the contractor in accordance with subsection (d) for the costs of qualified maintenance or repair performed in the United States; and

“(3) shall apply to qualified maintenance or repair performed during the 5-year period beginning on the date the vessel begins operating under the operating agreement under chapter 531 of title 46, United States Code.

“(c) EXCEPTION TO REQUIREMENT TO PERFORM WORK IN THE UNITED STATES.—A contractor shall not be required to have qualified maintenance or repair work performed in the United States under this section if—

“(1) the Secretary determines that there is no facility capable of meeting all technical requirements of the qualified maintenance or repair in the United States located in the geographic area in which the vessel normally operates available to perform the work in the time required by the contractor to maintain its regularly scheduled service;

“(2) the Secretary determines that there are insufficient funds to pay reimbursement under subsection (d) with respect to the work; or

“(3) the Secretary fails to make the certification described in subsection (e)(2).

“(d) REIMBURSEMENT.—

“(1) IN GENERAL.—The Secretary shall, subject to the availability of appropriations, reimburse a contractor for costs incurred by the contractor for qualified maintenance or repair performed in the United States under this section.

“(2) AMOUNT.—The amount of reimbursement shall be equal to the difference between—

“(A) the fair and reasonable cost of obtaining the qualified maintenance or repair in the United States; and

“(B) the fair and reasonable cost of obtaining the qualified maintenance or repair outside the United States, in the country in which the contractor would otherwise undertake the qualified maintenance or repair.

“(3) DETERMINATION OF FAIR AND REASONABLE COSTS.—The Secretary shall determine fair and reasonable costs for purposes of paragraph (2).

“(e) NOTIFICATION REQUIREMENTS.—

“(1) NOTIFICATION BY CONTRACTOR.—The Secretary is not required to pay reimbursement to a contractor under this section for qualified maintenance or repair, unless the contractor—

“(A) notifies the Secretary of the intent of the contractor to obtain the qualified maintenance or repair, by not later than 90 days before the date of the performance of the qualified maintenance or repair; and

“(B) includes in such notification—

“(i) a description of all qualified maintenance or repair that the contractor should reasonably expect may be performed;

“(ii) a description of the vessel’s normal route and port calls in the United States;

“(iii) an estimate of the cost of obtaining the qualified maintenance or repair described under clause (i) in the United States; and

“(iv) an estimate of the cost of obtaining the qualified maintenance or repair described under clause (i) outside the United States, in the country in which the contractor otherwise would undertake the qualified maintenance or repair.

“(2) CERTIFICATION BY SECRETARY.—

“(A) Not later than 30 days after the date of receipt of notification under paragraph (1), the Secretary shall certify to the contractor—

“(i) whether the cost estimates provided by the contractor are fair and reasonable;

“(ii) if the Secretary determines that such cost estimates are not fair and reasonable, the Secretary’s estimate of fair and reasonable costs for such work;

“(iii) whether there are available to the Secretary sufficient funds to pay reimbursement under subsection (d) with respect to such work; and

“(iv) that the Secretary commits such funds to the contractor for such reimbursement, if such funds are available for that purpose.

“(B) If the contractor notification described in paragraph (1) does not include an estimate of the cost of obtaining qualified maintenance and repair in the United States, then not later than 30 days after the date of receipt of such notification, the Secretary shall—

“(i) certify to the contractor whether there is a facility capable of meeting all technical requirements of the qualified maintenance and repair in the United States located in the geographic area in which the vessel normally operates available to perform the qualified maintenance and repair described in the notification by the contractor under paragraph (1) in the time period required by the contractor to maintain its regularly scheduled service; and

“(ii) if there is such a facility, require the contractor to resubmit such notification with the required cost estimate for such facility.

“(f) REGULATIONS.—

“(1) REQUIREMENT TO ISSUE NOTICE OF PROPOSED RULE MAKING.—The Secretary shall—

“(A) by not later than 30 days after the effective date of this subsection [probably means effective date of Pub. L. 109-163, Jan. 6, 2006], issue a notice of proposed rule making to implement this section;

“(B) in such notice, solicit the submission of comments by the public regarding rules to implement this section; and

“(C) provide a period of at least 30 days for the submission of such comments.

“(2) INTERIM RULES.—Upon expiration of the period for submission of comments pursuant to paragraph (1)(C), the Secretary may prescribe interim rules necessary to carry out the Secretary’s responsibilities under this section. For this purpose, the Secretary is excepted from compliance with the notice and comment requirements of section 553 of title 5, United States Code. At the time interim rules are issued, the Secretary shall solicit comments on the interim rules from the public and other interested persons. Such period for comment shall not be less than 90 days. All interim rules prescribed under the authority of this subsection that are not earlier superseded by final rules shall expire no later than 270 days after the effective date of this subsection.

“(g) QUALIFIED MAINTENANCE OR REPAIR DEFINED.—In this section the term ‘qualified maintenance or repair’—

“(1) except as provided in paragraph (2), means—

“(A) any inspection of a vessel that is—

“(i) required under chapter 33 of title 46, United States Code; and

“(ii) performed in the period in which the vessel is subject to an agreement under this section;

“(B) any maintenance or repair of a vessel that is determined, in the course of an inspection referred to in subparagraph (A), to be necessary; and

“(C) any additional maintenance or repair the contractor intends to undertake at the same time as the work described in subparagraph (B); and

“(2) does not include—

“(A) maintenance or repair not agreed to by the contractor to be undertaken at the same time as the work described in paragraph (1); or

“(B) any emergency work that is necessary to enable a vessel to return to a port in the United States.

“(h) ANNUAL REPORT.—The Secretary shall submit to the Congress by not later than September 30 each year a report on the program under this section. The report shall include a listing of future inspection schedules for all vessels included in the Maritime Security Fleet under section 53102 of title 46, United States Code.

“(i) AUTHORIZATION OF APPROPRIATIONS.—In addition to the other amounts authorized by this title [see Short Title of 2003 Amendment note set out under section 101 of this title], for reimbursement of costs of qualified maintenance or repair under this section there is authorized to be appropriated to the Secretary of Transportation \$19,500,000 for each of fiscal years 2006 through 2011.”

NATIONAL DEFENSE TANK VESSEL CONSTRUCTION ASSISTANCE

Pub. L. 108-136, div. C, title XXXV, subtitle D, Nov. 24, 2003, 117 Stat. 1820, as amended by Pub. L. 108-375, div. C, title XXXV, § 3503, Oct. 28, 2004, 118 Stat. 2195; Pub. L. 109-163, div. C, title XXXV, § 3504, Jan. 6, 2006, 119 Stat. 3551; Pub. L. 109-364, div. C, title XXXV, § 3502(b)(2), Oct. 17, 2006, 120 Stat. 2516, provided that:

“SEC. 3541. NATIONAL DEFENSE TANK VESSEL CONSTRUCTION PROGRAM.

“The Secretary of Transportation shall establish a program for the provision of financial assistance for the construction in the United States of a fleet of up to 5 privately owned product tank vessels—

“(1) to be operated in commercial service in foreign commerce; and

“(2) to be available for national defense purposes in time of war or national emergency pursuant to an Emergency Preparedness Plan approved by the Secretary of Defense pursuant to section 3543(e).

“SEC. 3542. APPLICATION PROCEDURE.

“(a) REQUEST FOR PROPOSALS.—Within 90 days after the date of the enactment of this subtitle [Nov. 24, 2003], and on an as-needed basis thereafter, the Secretary, in consultation with the Secretary of Defense, shall publish in the Federal Register a request for competitive proposals for the construction of new product tank vessels necessary to meet the commercial and national security needs of the United States and to be built with assistance under this subtitle.

“(b) QUALIFICATION.—Any citizen of the United States or any shipyard in the United States may submit a proposal to the Secretary of Transportation for purposes of constructing a product tank vessel with assistance under this subtitle.

“(c) REQUIREMENT.—The Secretary, with the concurrence of the Secretary of Defense, may enter into an agreement with the submitter of a proposal for assistance under this subtitle if the Secretary determines that—

“(1) the plans and specifications call for construction of a new product tank vessel of not less than 35,000 deadweight tons and not greater than 60,000 deadweight tons, that—

“(A) will meet the requirements of foreign commerce;

“(B) is capable of carrying militarily useful petroleum products, and will be suitable for national defense or military purposes in time of war, national emergency, or other military contingency; and

“(C) will meet the construction standards necessary to be documented under the laws of the United States;

“(2) the shipyard in which the vessel will be constructed has the necessary capacity and expertise to successfully construct the proposed number and type of product tank vessels in a reasonable period of time as determined by the Secretary of Transportation, taking into consideration the recent prior commer-

cial shipbuilding history of the proposed shipyard in delivering a vessel or series of vessels on time and in accordance with the contract price and specifications; and

“(3) the person proposed to be the operator of the proposed vessel possesses the ability, experience, financial resources, and any other qualifications determined to be necessary by the Secretary for the operation and maintenance of the vessel.

“(d) PRIORITY.—The Secretary—

“(1) subject to paragraph (2), shall give priority consideration to a proposal submitted by a person that is a citizen of the United States under section 2 of the Shipping Act, 1916 [former] 46 U.S.C. App. 802 [see 46 U.S.C. 50501]; and

“(2) may give priority to consideration of proposals that provide the best value to the Government, taking into consideration—

“(A) the costs of vessel construction;

“(B) the commercial and national security needs of the United States; and

“(C) with respect to any proposal for financial assistance to be provided from amounts appropriated for a fiscal year after fiscal year 2005, acceptance of the vessel to be constructed with the assistance for participation in the Shipboard Technology Evaluation Program as outlined in Navigation and Vessel Inspection Circular 01-04, issued by the Commandant of the United States Coast Guard on January 2, 2004.

“SEC. 3543. AWARD OF ASSISTANCE.

“(a) IN GENERAL.—If after review of a proposal, the Secretary determines that the proposal fulfills the requirements under this subtitle, the Secretary may enter into a contract with the proposed purchaser and the proposed shipyard for the construction of a product tank vessel with assistance under this subtitle.

“(b) AMOUNT OF ASSISTANCE.—The contract shall provide that the Secretary shall pay, subject to the availability of appropriations, the actual construction cost of the vessel, but in no case more than \$50,000,000 per vessel.

“(c) CONSTRUCTION IN UNITED STATES.—A contract under this section shall require that construction of a vessel with assistance under this subtitle shall be performed in a shipyard in the United States.

“(d) DOCUMENTATION OF VESSEL.—

“(1) CONTRACT REQUIREMENT.—A contract under this section shall require that, upon delivery of a vessel constructed with assistance under the contract, the vessel shall be documented under chapter 121 of title 46, United States Code, with a registry endorsement only.

“(2) RESTRICTION ON COASTWISE ENDORSEMENT.—A vessel constructed with assistance under this subtitle shall not be eligible for a certificate of documentation with a coastwise endorsement.

“(3) AUTHORITY TO REFLAG NOT APPLICABLE.—Section 9(g) [probably should be 9(e)] of the Shipping Act, 1916, [former] 46 U.S.C. App. 808(g) [probably should be 808(e)] [now 46 U.S.C. 56101(c)] shall not apply to a vessel constructed with assistance under this subtitle.

“(e) EMERGENCY PREPAREDNESS AGREEMENT.—

“(1) IN GENERAL.—A contract under this section shall require that the person who will be the operator of a vessel constructed with assistance under the contract shall enter into an Emergency Preparedness Agreement for the vessel under section 53107 of title 46, United States Code, as amended by this Act.

“(2) TREATMENT AS CONTRACTOR.—For purposes of the application, under paragraph (1), of section 53107 of title 46, United States Code, to a vessel constructed with assistance under this subtitle, the term ‘contractor’ as used in that section means the person who will be the operator of a vessel constructed with assistance under this subtitle.

“(f) ADDITIONAL TERMS.—The Secretary shall incorporate in the contract the requirements set forth in

this subtitle, and may incorporate in the contract any additional terms the Secretary considers necessary.

“SEC. 3544. PRIORITY FOR TITLE XI ASSISTANCE.

[Amended section 1273 of the former Appendix to this title.]

“SEC. 3545. DEFINITIONS.

“In this subtitle the definitions set forth in section 53101 of title 46, United States Code, as amended by this Act, shall apply.

“SEC. 3546. AUTHORIZATION OF APPROPRIATIONS.

“There are authorized to be appropriated to the Secretary to carry out this subtitle a total of \$250,000,000 for fiscal years after fiscal year 2004.”

SALE OF INACTIVE PASSENGER VESSELS UNDER OPERATING-DIFFERENTIAL SUBSIDY TO FOREIGN OWNERSHIP

Pub. L. 92-296, §1, May 16, 1972, 86 Stat. 140; Pub. L. 97-31, §12(38), Aug. 6, 1981, 95 Stat. 156, provided that:

“Notwithstanding any other provision of law or of prior contract with the United States, any vessel heretofore operated as a passenger vessel, as defined in section 613(a) of the Merchant Marine Act, 1936, as amended [act June 29, 1936, ch. 858, set out below], under an operating-differential subsidy contract with the United States and now in inactive or layup status, except the steamship Independence and the steamship United States, may be sold and transferred to foreign ownership, registry, and flag, with the prior approval of the Secretary of Transportation. Such approval shall require (1) approval of the purchaser; (2) payment of existing debt and private obligations related to the vessel; (3) approval of the price, including terms of payment, for the sale of the vessel; (4) the seller to enter into an agreement with the Secretary whereby an amount equal to the net proceeds received from such sale in excess of existing obligations and expenses incident to the sale shall within a reasonable period not to exceed twelve months of receipt be committed and thereafter be used as equity capital for the construction of new vessels which the Secretary determines are built to effectuate the purposes and policy of the Merchant Marine Act, 1936, as amended [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title]; and (5) the purchaser to enter into an agreement with the Secretary, binding upon such purchaser and any later owner of the vessel and running with title to the vessel, that (a) the vessel will not carry passengers or cargo in competition, as determined by the Secretary, with any United States-flag passenger vessel for a period of two years from the date the transferred vessel goes into operation; (b) the vessel will be made available to the United States in time of emergency and just compensation for title or use, as the case may be, shall be paid in accordance with section 902 of the Merchant Marine Act, 1936, as amended (46 App. U.S.C. 1242) [now 46 U.S.C. 56301 et seq.]; (c) the purchaser will comply with such further conditions as the Secretary may impose as authorized by sections 9, 37, and 41 of the Shipping Act, 1916, as amended ([former] 46 U.S.C. [App.] 808, 835, and 839) [see 46 U.S.C. 56101 to 56104 and 57109]; and (d) the purchaser will furnish a surety bond in an amount and with a surety satisfactory to the Secretary to secure performance of the foregoing agreements.

“In addition to any other provision such agreements may contain for enforcement of (4) and (5) above, the agreements therein required may be specifically enforced by decree for specific performance or injunction in any district court of the United States. In the agreement with the Secretary the purchaser shall irrevocably appoint a corporate agent within the United States for service of process upon such purchaser in any action to enforce the agreement.”

OFF-SEASON CRUISES ADDITIONAL TO VOYAGES ON REGULAR SERVICE, ROUTE, OR LINE

Pub. L. 87-45, §7, May 27, 1961, 75 Stat. 91, provided that: “The cruises authorized by section 613 [of act

June 29, 1936, ch. 858, set out below] shall be in addition to and not in derogation of the right of an operator to make voyages on his regular service, route or line, including approved deviations within the general area of his essential service. There shall be no adjustment of subsidy in the event of such deviations if they are without prejudice to the adequacy of service."

MINIMUM MANNING, WAGE SCALES, AND WORKING
CONDITIONS ON SUBSIDIZED VESSELS

Act June 29, 1936, ch. 858, title III, § 301, 49 Stat. 1992; June 23, 1938, ch. 600, §§ 5, 6, 52 Stat. 955; 1946 Reorg. Plan No. 3, §§ 101-104, eff. July 16, 1946, 11 F.R. 7875, 60 Stat. 1097; Pub. L. 97-31, § 12(82), Aug. 6, 1981, 95 Stat. 160; Pub. L. 109-163, div. A, title V, § 515(g)(2)(A), Jan. 6, 2006, 119 Stat. 3236, provided that:

"(a) The Secretary of Transportation is authorized and directed to investigate the employment and wage conditions in ocean-going shipping and, after making such investigation and after appropriate hearings, to incorporate in the contracts authorized under titles VI and VII of this Act [former 46 U.S.C. App. 1171 et seq., 1191 et seq., see Disposition Table preceding section 101 of this title] minimum manning scales and minimum wage scales, and minimum working conditions for all officers and crews employed on all types of vessels receiving an operating-differential subsidy. After such minimum manning and wage scales, and working conditions shall have been adopted by the Secretary of Transportation, no change shall be made therein by the Secretary of Transportation except upon public notice of the hearing to be had, and a hearing by the Secretary of Transportation of all interested parties, under such rules as the Secretary of Transportation shall prescribe. The duly elected representatives of the organizations certified as the proper collective bargaining agencies shall have the right to represent the employees who are members of their organizations at any such hearings. Every contractor receiving an operating-differential subsidy shall post and keep posted in a conspicuous place on each such vessel operated by such contractor a printed copy of the minimum manning and wage scales, and working conditions prescribed by his contract and applicable to such vessel: *Provided, however,* That any increase in the operating expenses of the subsidized vessel occasioned by any change in the wage or manning scales or working conditions as provided in this section shall be added to the operating-differential subsidy previously authorized for the vessel.

"(b) Every contract executed under authority of titles VI and VII of this Act shall require—

"(1) Insofar as is practicable, officers' living quarters shall be kept separate and apart from those furnished for members of the crew;

"(2) Licensed officers and unlicensed members of the crew shall be entitled to make complaints or recommendations to the Secretary of Transportation providing they file such complaint or recommendation directly with the Secretary of Transportation, or with their immediate superior officer who shall be required to forward such complaint or recommendation with his remarks to the Secretary of Transportation, or with the authorized representatives of the respective collective bargaining agencies;

"(3) Licensed officers who are members of the United States Navy Reserve shall wear on their uniforms such special distinguishing insignia as may be approved by the Secretary of the Navy; officers being those men serving under licenses issued by the Bureau of Marine Inspection and Navigation or the Coast Guard;

"(4) The uniform stripes, decoration, or other insignia shall be of gold braid or woven gold or silver material, to be worn by officers, and no member of the ship's crew other than licensed officers shall be allowed to wear any uniform with such officer's identifying insignia;

"(5) No discrimination shall be practiced against licensed officers, who are otherwise qualified, because

of their failure to qualify as members of the United States Navy Reserve."

CONSTRUCTION-DIFFERENTIAL SUBSIDY

Act June 29, 1936, ch. 858, title V, 49 Stat. 1995, as amended, provided as follows:

Subsidy Authorized for Vessels To Be Operated in
Foreign Trade

"SEC. 501. (a) Any proposed ship purchaser who is a citizen of the United States or any shipyard of the United States may make application to the Secretary of Transportation for a construction-differential subsidy to aid in the construction of a new vessel to be used in the foreign commerce of the United States. No such application shall be approved by the Secretary of Transportation unless he determines that (1) the plans and specifications call for a new vessel which will meet the requirements of the foreign commerce of the United States, will aid in the promotion and development of such commerce, and be suitable for use by the United States for national defense or military purposes in time of war or national emergency; (2) if the applicant is the proposed ship purchaser, the applicant possesses the ability, experience, financial resources, and other qualifications necessary for the operation and maintenance of the proposed new vessel, and (3) the granting of the aid applied for is reasonably calculated to carry out effectively the purposes and policy of this Act [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title]. The contract of sale, and the mortgage given to secure the payment of the unpaid balance of the purchase price shall not restrict the lawful or proper use or operation of the vessel except to the extent expressly required by law. The Secretary of Transportation may give preferred consideration to applications that will tend to reduce construction-differential subsidies and that propose the construction of ships of higher transport capability and productivity.

"(b) The Secretary of Transportation shall submit the plans and specifications for the proposed vessel to the Navy Department for examination thereof and suggestions for such changes therein as may be deemed necessary or proper in order that such vessel shall be suitable for economical and speedy conversion into a naval or military auxiliary, or otherwise suitable for the use of the United States Government in time of war or national emergency. If the Secretary of the Navy approves such plans and specifications as submitted, or as modified, in accordance with the provisions of this subsection, he shall certify such approval to the Secretary of Transportation.

"(c) Any citizen of the United States or any shipyard of the United States may make application to the Secretary of Transportation for a construction-differential subsidy to aid in reconstructing or reconditioning any vessel that is to be used in the foreign commerce of the United States. If the Secretary of Transportation, in the exercise of his discretion, shall determine that the granting of the financial aid applied for is reasonably calculated to carry out effectively the purposes and policy of this Act, the Secretary of Transportation may approve such application and enter into a contract or contracts with the applicant therefor providing for the payment by the United States of a construction-differential subsidy that is to be ascertained, determined, controlled, granted, and paid, subject to all the applicable conditions and limitations of this title and under such further conditions and limitations as may be prescribed in the rules and regulations of the Secretary of Transportation has adopted as provided in section 204(b) of this Act [former 46 U.S.C. App. 1114(b), repealed by Pub. L. 109-304, § 19, Oct. 6, 2006, 120 Stat. 1710]; but the financial aid authorized by this subsection shall be extended to reconstruction or reconditioning only in exceptional cases and after a thorough study and a formal determination by the Secretary of Transportation that the proposed reconstruction or re-

conditioning is consistent with the purposes and policy of this Act.”

(As amended June 23, 1938, ch. 600, § 8, 52 Stat. 955; July 17, 1952, ch. 939, §§ 1, 2, 66 Stat. 760, 761; Pub. L. 91-469, §§ 6, 35(a), (c), (d), Oct. 21, 1970, 84 Stat. 1019, 1035; Pub. L. 91-603, § 4(a), Dec. 31, 1970, 84 Stat. 1675; Pub. L. 97-31, § 12(84), Aug. 6, 1981, 95 Stat. 161.)

Construction of Vessels; Bids; Subsidies

“SEC. 502. (a) If the Secretary of the Navy certifies his approval under section 501(b) of this Act, and the Secretary of Transportation approves the application, he may secure bids for the construction of the proposed vessel according to the approved plans and specifications. If the bid of the shipbuilder who is the lowest responsible bidder is determined by the Secretary of Transportation to be fair and reasonable, the Secretary of Transportation may approve such bid, and if such approved bid is accepted by the proposed ship purchaser, the Secretary of Transportation is authorized to enter into a contract with the successful bidder for the construction, outfitting, and equipment of the proposed vessel, and for the payment by the Secretary of Transportation to the shipbuilder, on terms to be agreed upon in the contract, of the contract price of the vessel, out of the construction fund hereinbefore referred to, or out of other available funds. Notwithstanding the provisions of the first sentence of section 505 of this Act with respect to competitive bidding, the Secretary of Transportation is authorized to accept a price for the construction of the ship which has been negotiated between a shipyard and proposed ship purchaser if (1) the proposed ship purchaser and the shipyard submit backup cost details and evidence that the negotiated price is fair and reasonable; (2) the Secretary of Transportation finds that the negotiated price is fair and reasonable; and (3) the shipyard agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of three years after final payment have access to and the right to examine any pertinent books, documents, papers, and records of the shipyard or any of its subcontractors related to the negotiation or performance of any contract or subcontract negotiated under this subsection and will include in its subcontracts a provision to that effect. Concurrently with entering into such contract with the shipbuilder, the Secretary of Transportation is authorized to enter into a contract for the sale of such vessel upon its completion, to the applicant if he is the proposed ship purchaser and if not to another citizen of the United States, if the Secretary of Transportation determines that such citizen possesses the ability, experience, financial resources, and other qualifications necessary for the operation and maintenance of the vessel at a price corresponding to the estimated cost, as determined by the Secretary of Transportation pursuant to the provisions of this Act [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title], of building such vessel in a foreign shipyard.

“(b) The amount of the reduction in selling price which is herein termed ‘construction differential subsidy’ shall equal, but not exceed, the excess of the bid of the shipbuilder constructing the proposed vessel (excluding the cost of any features incorporated in the vessel for national defense uses, which shall be paid by the Secretary in addition to the subsidy), over the fair and reasonable estimate of cost, as determined by the Secretary, of the construction of that type vessel if it were constructed under similar plans and specifications (excluding national defense features as above provided) in a foreign shipbuilding center which is deemed by the Secretary to furnish a fair and representative example for the determination of the estimated foreign cost of construction of vessels of the type proposed to be constructed. The Secretary of Transportation shall recompute such estimated foreign cost annually unless, in the opinion of the Secretary, there has been a significant change in shipbuilding market conditions. The Secretary shall publish notice of his intention to com-

pute or recompute such estimated foreign cost and shall give interested persons, including but not limited to shipyards and shipowners and associations thereof, an opportunity to file written statements. The Secretary’s consideration shall include, but not be limited to, all relevant matter so filed, and his determination shall include or be accompanied by a concise explanation of the basis of his determination. The construction differential approved and paid by the Secretary shall not exceed 50 per centum of the cost of constructing, reconstructing, or reconditioning the vessel (excluding the cost of national defense features). If the Secretary finds that the construction differential exceeds, in any case, the foregoing percentage of such cost, the Secretary may negotiate with any bidder (whether or not such person is the lowest bidder) and may contract with such bidder (notwithstanding the first sentence of section 505) for the construction, reconstruction, or reconditioning of the vessel involved in a domestic shipyard at a cost which will reduce the construction differential to such percentage or less. In the event that the Secretary has reason to believe that the bidding in any instance is collusive, he shall report all of the evidence on which he acted (1) to the Attorney General of the United States, and (2) to the President of the Senate and to the Speaker of the House of Representatives if the Congress shall be in session or if the Congress shall not be in session, then to the Secretary of the Senate and Clerk of the House, respectively.

“(c) In such contract of sale between the purchaser and the Secretary of Transportation, the purchaser shall be required to make cash payments to the Secretary of Transportation of not less than 25 per centum of the price at which the vessel is sold to the purchaser. The cash payments shall be made at the time and in the same proportion as provided for the payments on account of the construction cost in the contract between the shipbuilder and the Secretary of Transportation. The purchaser shall pay, not less frequently than annually, interest on those portions of the Secretary of Transportation’s payments as made to the shipbuilder which are chargeable to the purchaser’s portion of the price of the vessel (after deduction of the purchaser’s cash payments) at a rate not less than (i) a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus (ii) an allowance adequate in the judgment of the Secretary of Transportation to cover administrative costs. The balance of such purchase price shall be paid by the purchaser, within twenty-five years after delivery of the vessel and in not to exceed twenty-five equal annual installments, the first of which shall be payable one year after the delivery of the vessel by the Secretary of Transportation to the purchaser. Interest at the rate per annum applicable to payments that are chargeable to the purchaser’s portion of the price of the vessel shall be paid on all such installments of the purchase price remaining unpaid.

“(d) [Repealed. Pub. L. 87-877, § 2(a), Oct. 24, 1962, 76 Stat. 1200.]

“(e) If no bids are received for the construction, outfitting, or equipping of such vessel, or if it appears to the Secretary of Transportation that the bids received from privately owned shipyards of the United States are collusive, excessive, or unreasonable, and if a citizen of the United States agrees to purchase said vessel as provided in this section, then, to provide employment for citizens of the United States, the Secretary of Transportation may have such vessel constructed, outfitted, or equipped at not in excess of the actual cost thereof in a navy yard of the United States under such regulations as may be promulgated by the Secretary of the Navy and the Secretary of Transportation. In such event the Secretary of Transportation is authorized to pay for any such vessel so constructed from his con-

struction fund. The Secretary of Transportation is authorized to sell any vessel so constructed, outfitted, or equipped in a navy yard to a citizen of the United States for the fair and reasonable value thereof, but at not less than the cost thereof less the equivalent to the construction differential subsidy determined as provided by subsection (b), such sale to be in accordance with all the provisions of this title.

“(f) The Secretary of Transportation, with the advice of and in coordination with the Secretary of the Navy, shall at least once each year, as required for purposes of this Act, survey the existing privately owned shipyards capable of merchant ship construction, or review available data on such shipyards if deemed adequate, to determine whether their capabilities for merchant ship construction, including facilities and skilled personnel, provide an adequate mobilization base at strategic points for purposes of national defense and national emergency. The Secretary of Transportation, in connection with ship construction, reconstruction, reconditioning, or remodeling under titles V and VII [former 46 U.S.C. App. 1191 et seq., see Disposition Table preceding section 101 of this title], upon a basis of a finding that the award of the proposed construction, reconstruction, reconditioning, or remodeling work will remedy an existing or impending inadequacy in such mobilization base as to the capabilities and capacities of a shipyard or shipyards at a strategic point, and after taking into consideration the benefits accruing from standardized construction, the conditions of unemployment, and the needs and reasonable requirements of all shipyards, may allocate such construction, reconstruction, reconditioning, or remodeling to such yard or yards in such manner as he may determine to be fair, just, and reasonable to all sections of the country, subject to the provisions of this subsection. In the allocation of construction work to such yards as herein provided, the Secretary of Transportation may, after first obtaining competitive bids for such work in compliance with the provisions of this Act, negotiate with the bidders and with other shipbuilders concerning the terms and conditions of any contract for such work, and is authorized to enter into such contract at a price deemed by the Secretary of Transportation to be fair and reasonable. Any contract entered into by the Secretary of Transportation under the provisions of this subsection shall be subject to all of the terms and conditions of this Act, excepting those pertaining to the awarding of contracts to the lowest bidder which are inconsistent with the provisions of this subsection. In the event that a contract is made providing for a price in excess of the lowest responsible bid which otherwise would be accepted, such excess shall be paid by the Secretary of Transportation as a part of the cost of national defense, and shall not be considered as a part of the construction-differential subsidy. In the event that a contract is made providing for a price lower than the lowest responsible bid which otherwise would be accepted, the construction-differential subsidy shall be computed on the contract price in lieu of such bid.

“If, as a result of allocation under this subsection, the purchaser incurs expenses for inspection and supervision of the vessel during construction and for the delivery voyage of the vessel in excess of the estimated expenses for the same services that he would have incurred if the vessel had been constructed by the lowest responsible bidder the Secretary of Transportation (with respect to construction under title V, except section 509) shall reimburse the purchaser for such excess, less one-half of any gross income the purchaser receives that is allocable to the delivery voyage minus one-half of the extra expenses incurred to produce such gross income, and such reimbursement shall not be considered part of the construction-differential subsidy: *Provided*, That no interest shall be paid on any refund authorized under this Act. If the vessel is constructed under section 509 the Secretary of Transportation shall reduce the price of the vessel by such excess, less one-half of any gross income (minus one-half of the extra expenses incurred to produce such gross in-

come) the purchaser receives that is allocable to the delivery voyage. In the case of a vessel that is not to receive operating-differential subsidy, the delivery voyage shall be deemed terminated at the port where the vessel begins loading. In the case of a vessel that is to receive operating-differential subsidy, the delivery voyage shall be deemed terminated when the vessel begins loading at a United States port in an essential service. In either case, however, the vessel owner shall not be compensated for excess vessel delivery costs in an amount greater than the expenses that would have been incurred in delivering the vessel from the shipyard at which it was built to the shipyard of the lowest responsible bidder. If as a result of such allocation, the expenses the purchaser incurs with respect to such services are less than the expenses he would have incurred for such services if the vessel had been constructed by the lowest responsible bidder, the purchaser shall pay to the Secretary of Transportation an amount equal to such reduction and, if the vessel was built with the aid of construction-differential subsidy, such payment shall not be considered a reduction of the construction-differential subsidy.

“(g) Upon the application of any citizen of the United States to purchase any vessel acquired by the Secretary of Transportation under the provisions of section 215 [former 46 U.S.C. App. 1125, see 46 U.S.C. 57105], the Secretary of Transportation is authorized to sell such vessel to the applicant for the fair and reasonable value thereof, but at not less than the cost thereof to the Secretary of Transportation less depreciation at the rate of 4 per centum per annum from the date of completion, excluding the cost of national-defense features added by the Secretary of Transportation, less the equivalent of any applicable construction-differential subsidy as provided by subsection (b), such sale to be in accordance with all the provisions of this title. Such vessel shall thereupon be eligible for an operating-differential subsidy under title VI of this Act [former 46 U.S.C. App. 1171 et seq., see Disposition Table preceding section 101 of this title], notwithstanding the provisions of section 601(a)(1), and section 610(1) [set out below], or any other provision of law.

“(h) The Secretary of Transportation is authorized to construct, purchase, lease, acquire, store, maintain, sell, or otherwise dispose of national defense features intended for installation on vessels. The Secretary of Transportation is authorized to install or remove such national defense features on any vessel (1) which is in the National Defense Reserve Fleet as defined by section 11(a) of the Merchant Ship Sales Act of 1946 [50 U.S.C. App. 1744(a)], (2) which is requisitioned, purchased, or chartered under section 902 of the Merchant Marine Act, 1936 [former 46 U.S.C. App. 1242, now 46 U.S.C. 56301 et seq.], (3) which serves as security for the guarantee of an obligation by the Secretary of Transportation under title XI of this Act [former 46 U.S.C. App. 1271 et seq., see 46 U.S.C. 53701 et seq.], or (4) which is the subject of an agreement between the owner of such vessel and the Secretary of Transportation to install or remove such national defense features. Title to such national defense features which the Secretary of Transportation determines are not to be permanently incorporated in a vessel shall not be affected by such installation or removal unless otherwise transferred in accordance with the provisions of this title V.

“(i) The Secretary of Transportation shall submit the plans and specifications for such national defense features and the proposals for their acquisition, storage, utilization, or disposition to the Navy Department for examination thereof and suggestion for such changes therein as may be deemed necessary or proper in order that such features shall be suitable for the use of the United States Government in time of war or national emergency. If the Secretary of the Navy approves such plans, specifications, or proposals as submitted, or as modified in accordance with the provisions of this subsection, he shall certify such approval to the Secretary of Transportation.”

(As amended June 23, 1938, ch. 600, §§9-14, 52 Stat. 955-957; Aug. 4, 1939, ch. 417, §6, 53 Stat. 1183; July 26,

1956, ch. 737, 70 Stat. 657; Pub. L. 86-518, §§1, 2, June 12, 1960, 74 Stat. 216; Pub. L. 86-607, §1, July 7, 1960, 74 Stat. 362; Pub. L. 87-877, §§1, 2(a), (e), (f), Oct. 24, 1962, 76 Stat. 1200, 1201; Pub. L. 88-370, July 11, 1964, 78 Stat. 313; Pub. L. 88-410, §1, Aug. 10, 1964, 78 Stat. 385; Pub. L. 89-127, Aug. 14, 1965, 79 Stat. 519; Pub. L. 89-589, Sept. 19, 1966, 80 Stat. 811; Pub. L. 90-572, Oct. 12, 1968, 82 Stat. 1004; Pub. L. 91-40, July 8, 1969, 83 Stat. 44; Pub. L. 91-469, §§7, 35(a), (e)-(g), Oct. 21, 1970, 84 Stat. 1019, 1035, 1036; Pub. L. 91-603, §4(b), Dec. 31, 1970, 84 Stat. 1675; Pub. L. 93-71, July 10, 1973, 87 Stat. 169; Pub. L. 94-372, §§2, 3, July 31, 1976, 90 Stat. 1042; Pub. L. 96-210, Mar. 17, 1980, 94 Stat. 100; Pub. L. 96-387, §3, Oct. 7, 1980, 94 Stat. 1545; Pub. L. 97-31, §12(84), (85), Aug. 6, 1981, 95 Stat. 161.)

Documentation of Completed Vessel Under Laws of United States; Delivery to Purchaser; First Mortgage to Secure Deferred Payments

“SEC. 503. Upon completion of the construction of any vessel in respect to which a construction-differential subsidy is to be allowed under this title and its delivery by the shipbuilder to the Secretary of Transportation, the vessel shall be documented under the laws of the United States, and concurrently therewith, or as soon thereafter as practicable, the vessel shall be delivered with a bill of sale to the purchaser with warranty against liens, pursuant to the contract of sale between the purchaser and the Secretary of Transportation. The vessel shall remain documented under the laws of the United States for not less than twenty-five years, or so long as there remains due the United States any principal or interest on account of the purchase price, whichever is the longer period. At the time of delivery of the vessel the purchaser shall execute and deliver a first-preferred mortgage to the United States to secure payment of any sums due from the purchaser in respect to said vessel: *Provided*, That notwithstanding any other provisions of law, the payment of any sums due in respect to a passenger vessel purchased under section 4(b) of the Merchant Ship Sales Act of 1946 [former 50 U.S.C. App. 1737(b)], reconverted or restored for normal operation in commercial services, or in respect to a passenger vessel purchased under title V of this Act, which is delivered subsequent to March 8, 1946, and which (i) is of not less than ten thousand gross tons, (ii) has a designed speed approved by the Secretary of Transportation but not less than eighteen knots, (iii) has accommodations for not less than two hundred passengers, and, (iv) is approved by the Secretary of Defense as being desirable for national defense purposes, may, with the approval of the Secretary of Transportation be secured only by a first-preferred mortgage on said vessel. With the approval of the Secretary of Transportation, such preferred mortgage may provide that the sole recourse against the purchaser of such a passenger vessel under such mortgage, and any of the notes secured thereby, shall be limited to repossession of the vessel by the United States and the assignment of insurance claims, if the purchaser shall have complied with all provisions of the mortgage other than those relating to the payment of principal and interest when due, and the obligation of the purchaser shall be satisfied and discharged by the surrender of the vessel, and all right, title, and interest therein to the United States. Such vessel upon surrender shall be (i) free and clear of all liens and encumbrances whatsoever, except the lien of the preferred mortgage, (ii) in class, and (iii) in as good order and condition, ordinary wear and tear excepted, as when acquired by the purchaser, except that any deficiencies with respect to freedom from encumbrances, condition, and class, may, to the extent covered by valid policies of insurance, be satisfied by the assignment to the United States of claims of the purchaser under such policies of insurance. The purchaser shall also comply with all the provisions of section 9 of the Merchant Marine Act, 1920 [former 46 U.S.C. App. 868, repealed by Pub. L. 109-304, §19, Oct. 6, 2006, 120 Stat. 1710].”

(As amended June 23, 1938, ch. 600, §15, 52 Stat. 957; July 17, 1952, ch. 939, §3, 66 Stat. 761; Pub. L. 86-518, §1,

June 12, 1960, 74 Stat. 216; Pub. L. 91-469, §§8, 35(a), Oct. 21, 1970, 84 Stat. 1021, 1035; Pub. L. 97-31, §12(84), Aug. 6, 1981, 95 Stat. 161.)

Purchase of Vessel Constructed in Accordance With Application for Subsidy; Bid or Negotiated Price Basis for Subsidy and Payments for Cost of National Defense Features; Documentation

“SEC. 504. If a qualified purchaser under the terms of this title desires to purchase a vessel to be constructed in accordance with an application for construction-differential subsidy under this title, the Secretary of Transportation may, in lieu of contracting to pay the entire cost of the vessel under section 502, contract to pay only construction-differential subsidy and the cost of national defense features to the shipyard constructing such vessel. The construction-differential subsidy and payments for the cost of national defense features shall be based upon the lowest responsible domestic bid unless the vessel is constructed at a negotiated price as provided by section 502(a) or under a contract negotiated by the Secretary of Transportation as provided in section 502(b) in which event the construction-differential subsidy and payments for the cost of national defense features shall be based upon such negotiated price. No construction-differential subsidy, as provided in this section, shall be paid unless the said contract or contracts or other arrangements contain such provisions as are provided in this title to protect the interests of the United States as the Secretary of Transportation deems necessary. Such vessel shall be documented under the laws of the United States as provided in section 503 of this title. The contract of sale, and the mortgage given to secure the payment of the unpaid balance of the purchase price, shall not restrict the lawful or proper use or operation of the vessel, except to the extent expressly required by law.”

(As amended June 23, 1938, ch. 600, §16, 52 Stat. 958; July 17, 1952, ch. 939, §4, 66 Stat. 761; Pub. L. 91-469, §§9, 35(a), Oct. 21, 1970, 84 Stat. 1021, 1035; Pub. L. 97-31, §12(84), Aug. 6, 1981, 95 Stat. 161.)

Eligible Shipyards; Materials; Conditions of Contracts; Limitation to American Shipyards; American Materials, Waiver; Ability of Bidders; Filing Bids and Data

“SEC. 505. All construction in respect of which a construction-differential subsidy is allowed under this title shall be performed in a shipyard of the United States as the result of competitive bidding, after due advertisement, with the right reserved in the Secretary of Transportation to disapprove, any or all bids. In all such construction the shipbuilder, subcontractors, materialmen, or suppliers shall use, so far as practicable, only articles, materials, and supplies of the growth, production, or manufacture of the United States as defined in paragraph K of section 401 of the Tariff Act of 1930 [now 19 U.S.C. 1401(h)]; *Provided, however*, That with respect to other than major components of the hull, superstructure, and any material used in the construction thereof, (1) if the Secretary of Transportation determines that the requirements of this sentence will unreasonably delay completion of any vessel beyond its contract delivery date, and (2) if such determination includes or is accompanied by a concise explanation of the basis therefor, then the Secretary of Transportation may waive such requirements to the extent necessary to prevent such delay. No shipbuilder shall be deemed a responsible bidder unless he possesses the ability, experience, financial resources, equipment, and other qualifications necessary properly to perform the proposed contract. Each bid submitted to the Secretary of Transportation shall be accompanied by all detailed estimates upon which it is based. The Secretary of Transportation may require that the bids of any subcontractors, or other pertinent data, accompany such bid. All such bids and data relating thereto shall be kept on file until disposed of as provided by law. For the purposes of this title V, the term ‘shipyard of the

United States' means shipyards within any of the United States and the Commonwealth of Puerto Rico."

(As amended June 23, 1938, ch. 600, §§ 17, 40(a), 52 Stat. 958, 964; Oct. 25, 1951, ch. 562, § 3(4), 65 Stat. 639; Pub. L. 86-624, § 35(a), July 12, 1960, 74 Stat. 421; Pub. L. 91-469, § 10, 35(a), Oct. 21, 1970, 84 Stat. 1022, 1035; Pub. L. 97-31, § 12(84), Aug. 6, 1981, 95 Stat. 161.)

Operation of Subsidy Constructed Vessel Limited to Foreign Trade; Repayments to Secretary for Deviations

"SEC. 506. Every owner of a vessel for which a construction-differential subsidy has been paid shall agree that the vessel shall be operated exclusively in foreign trade, or on a round-the-world voyage, or on a round voyage from the west coast of the United States to a European port or ports which includes intercoastal ports of the United States, or a round voyage from the Atlantic coast of the United States to the Orient which includes intercoastal ports of the United States, or on a voyage in foreign trade on which the vessel may stop at the State of Hawaii, or an island possession or island territory of the United States, and that if the vessel is operated in the domestic trade on any of the above-enumerated services, he will pay annually to the Secretary of Transportation that proportion of one-twenty-fifth of the construction-differential subsidy paid for such vessel as the gross revenue derived from the domestic trade bears to the gross revenue derived from the entire voyages completed during the preceding year. The Secretary may consent in writing to the temporary transfer of such vessel to service other than the service covered by such agreement for periods not exceeding six months in any year, whenever the Secretary may determine that such transfer is necessary or appropriate to carry out the purposes of this Act [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title]. Such consent shall be conditioned upon the agreement by the owner to pay to the Secretary, upon such terms and conditions as he may prescribe, an amount which bears the same proportion to the construction-differential subsidy paid by the Secretary as such temporary period bears to the entire economic life of the vessel. No operating-differential subsidy shall be paid for the operation of such vessel for such temporary period."

(As amended June 23, 1938, ch. 600, § 18, 52 Stat. 958; Mar. 18, 1959, Pub. L. 86-3, § 18(b)(1), 73 Stat. 12; Pub. L. 86-518, § 3, June 12, 1960, 74 Stat. 216; Pub. L. 97-31, § 12(87), Aug. 6, 1981, 95 Stat. 161.)

Construction of New Vessel to Replace Obsolete; Purchase of Old Vessel by Secretary; Bond of Seller Against Liens

"SEC. 507. If a contract is made by the Secretary of Transportation under authority of this title for the construction and sale of a new vessel to replace a vessel then operated in foreign trade or domestic trade, which in the judgment of the Secretary of Transportation should be replaced because it is obsolete or inadequate for successful operation in such trade, the Secretary of Transportation is authorized, in his discretion, to buy such replaced vessel from the owner at a fair and reasonable valuation, which valuation shall not exceed the cost to the owner or any former owner plus the actual cost previously expended thereon for reconditioning, and less a reasonable and proper depreciation, based upon not more than twenty-five-year life of the vessel, and apply the purchase price agreed upon to that portion of the construction cost of such new vessel which is to be borne by the purchaser thereof: *Provided*, That the owner of such replaced vessel shall execute a bond, with one or more approved sureties, conditioned upon indemnifying the United States from all loss resulting from any existing lien against such vessel: *And provided further*, That such vessel has been documented under the laws of the United States for a period of at least ten years prior to the date of its purchase by the United States."

(As amended June 23, 1938, ch. 600, § 19, 52 Stat. 959; July 17, 1952, ch. 939, § 5, 66 Stat. 761; Pub. L. 86-518, § 1, June 12, 1960, 74 Stat. 216; Pub. L. 97-31, § 12(88), Aug. 6, 1981, 95 Stat. 161.)

Disposition of Vessels Transferred to Maritime Administration of Department of Transportation

[Section 508 was classified to section 1158 of the former Appendix to this title and was repealed and restated as sections 57102 and 57103 of this title by Pub. L. 109-304, §§ 8(c), 19, Oct. 6, 2006, 120 Stat. 1586, 1710.]

Vessels To Be Operated in Domestic Trade; Terms and Conditions of Construction Aid and Sale to Purchaser

"SEC. 509. Any citizen of the United States may make application to the Secretary of Transportation for aid in the construction of a new vessel to be operated in the foreign or domestic trade (excepting vessels engaged solely in the transportation of property on inland rivers and canals exclusively). If such application is approved by the Secretary of Transportation, the vessel may be constructed under the terms and conditions of this title, but no construction-differential subsidy shall be allowed. The Secretary of Transportation shall pay for the cost of national-defense features incorporated in such vessel. In case the vessel is designed to be of not less than three thousand five hundred gross tons and to be capable of sustained speed of not less than ten knots, or in the case of a passenger vessel operating solely on the inland rivers and waterways which is designed to be of not less than one thousand gross tons and to be capable of sustained speed of not less than eight knots, or in the case of a ferry operating solely in point-to-point transportation which is designed to be of not less than seventy-five gross tons and to be capable of a sustained speed of not less than eight knots, in the case of an oceangoing tug of more than two thousand five hundred horsepower or oceangoing barge of more than two thousand five hundred gross tons, or in the case of a vessel of more than two thousand five hundred horsepower designed to be capable of sustained speed of not less than forty knots, the purchaser shall be required to pay the Secretary of Transportation not less than 12½ per centum of the cost of such vessel, and in the case of any other vessel the purchaser shall be required to pay the Secretary of Transportation not less than 25 per centum of the cost of such vessel (excluding from such cost, in either case, the cost of national defense features); and the balance of such purchase price shall be paid by the purchaser within twenty-five years in not to exceed twenty-five equal annual installments, with interest at a rate not less than (i) a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus (ii) an allowance adequate in the judgment of the Secretary of Transportation to cover administrative costs, the balance of such purchase price being secured by a preferred mortgage on the vessel sold and otherwise secured as the Secretary of Transportation may determine: *Provided*, That, notwithstanding any other provisions of law, the balance of the purchase price of a passenger vessel constructed under this section which is delivered subsequent to March 8, 1946, and which has the tonnage, speed, passenger accommodations, and other characteristics set forth in section 503 of this Act, may, with the approval of the Secretary of Transportation, be secured as provided in such section, and the obligation of the purchaser of such a vessel shall be satisfied and discharged as provided in such section."

(As amended June 23, 1938, ch. 600, § 20, 52 Stat. 959; June 6, 1939, ch. 186, 53 Stat. 810; July 17, 1952, ch. 939, § 6, 66 Stat. 761; Pub. L. 86-518, § 1, June 12, 1960, 74 Stat. 216; Pub. L. 87-877, § 2(b), Oct. 24, 1962, 76 Stat. 1200; Pub.

L. 90-183, Dec. 10, 1967, 81 Stat. 559; Pub. L. 90-214, Dec. 18, 1967, 81 Stat. 660; Pub. L. 91-469, §11, Oct. 21, 1970, 84 Stat. 1022; Pub. L. 92-374, Aug. 10, 1972, 86 Stat. 528; Pub. L. 95-173, §8, Nov. 12, 1977, 91 Stat. 1360; Pub. L. 95-505, Oct. 24, 1978, 92 Stat. 1755; Pub. L. 97-31, §12(90), Aug. 6, 1981, 95 Stat. 161.)

Acquisition of Obsolete Vessels

[Section 510 was classified to section 1160 of the former Appendix to this title and was primarily repealed and restated in subtitle V of this title by Pub. L. 109-304, §§8(b), (c), 19, Oct. 6, 2006, 120 Stat. 1556, 1586, 1710. For disposition of sections of the former Appendix to this title, see Disposition Table preceding section 101 of this title.]

Reserve Funds for Construction or Acquisition of Vessels; Taxation

[Section 511 was classified to section 1161 of the former Appendix to this title and was primarily repealed and restated as chapter 533 of this title by Pub. L. 109-304, §§8(c), 19, Oct. 6, 2006, 120 Stat. 1586, 1710. For disposition of sections of the former Appendix to this title, see Disposition Table preceding section 101 of this title.]

Limitation on Restrictions

“SEC. 512. (a) Except as provided in subsection (b), notwithstanding any other provision of law or contract, all restrictions and requirements under sections 503, 506, and 802 [set out below] applicable to a liner vessel constructed, reconstructed, or reconditioned with the aid of construction-differential subsidy shall terminate upon the expiration of the 25-year period beginning on the date of the original delivery of the vessel from the shipyard.

“(b)(1) Except as provided in paragraph (2), the restrictions and requirements of section 506 shall terminate upon the expiration of the 20-year period beginning on the date of the original delivery of the vessel from the shipyard for operation of a vessel in any domestic trade in which it has operated at any time since 1996.

“(2) Paragraph (1) shall not affect any requirement to make payments under section 506.”

(As added Pub. L. 104-239, §7, Oct. 8, 1996, 110 Stat. 3133; amended Pub. L. 108-136, div. C, title XXXV, §3532(b), Nov. 24, 2003, 117 Stat. 1818.)

[Title V of act June 29, 1936, ch. 858, comprising this note, consisted of sections 501 to 512 which were classified to sections 1151 to 1162, respectively, of the former Appendix to this title, prior to the enactment of Pub. L. 109-304 and elimination of that Appendix. For complete disposition of those sections, see Disposition Table preceding section 101 of this title.]

[Pub. L. 87-877, §5, Oct. 24, 1962, 76 Stat. 1202, provided that: “The amendment made by the first section of this Act [amending section 502 of act June 29, 1936, ch. 858, set out above] shall be effective only with respect to contracts entered into with respect to (a) the construction of a vessel the keel of which was laid after June 30, 1959, or (b) the reconstruction or reconditioning of a vessel the shipyard contract for which was entered into after June 30, 1959, and the Secretary may, with the consent of the parties thereto, modify any such contract entered into prior to the date of the enactment of this Act [Oct. 24, 1962] to the extent authorized by the amendment made by this Act.”]

[Pub. L. 86-607, §2, July 7, 1960, 74 Stat. 362, as amended by Pub. L. 87-222, Sept. 13, 1961, 75 Stat. 494, provided that: “The amendment made by this Act [amending section 502 of act June 29, 1936, ch. 858, set out above] shall be effective only with respect to any contract entered into not later than two years after the date of enactment of this Act [July 7, 1960] under the provisions of section 502 of the Merchant Marine Act, 1936 [act June 29, 1936, ch. 858], with respect to (a) the construction of a vessel the keel of which was laid, or (b) the reconstruction or reconditioning of a vessel the shipyard

contract for which was entered into after June 30, 1959, and the Federal Maritime Board may, with the consent of the parties thereto, modify any such contract entered into prior to the date of enactment of the first amendment to Public Law 86-607 (74 Stat. 362) [Sept. 13, 1961], to the extent authorized by the amendment made by this Act, as amended.”]

[Pub. L. 86-518, §8(a), June 12, 1960, 74 Stat. 216, provided that: “The amendments made by this Act [amending sections 502, 503, 506, 507, 509, 605, and 611 of act June 29, 1936, ch. 858, set out above and below] shall apply only to vessels delivered by the shipbuilder on or after January 1, 1946, and with respect to such vessels shall become effective on January 1, 1960. With respect to vessels delivered by the shipbuilder before January 1, 1946, the provisions of the Merchant Marine Act, 1936 [act June 29, 1936, ch. 858, see Tables for classification], existing immediately before the date of enactment of this Act [June 12, 1960] shall continue in effect.”]

OPERATING-DIFFERENTIAL SUBSIDY

Act June 29, 1936, ch. 858, title VI, 49 Stat. 2001, as amended, provided as follows:

Subtitle A—Operating-Differential Subsidy Program

Subsidy Authorized for Operation of Vessels in Foreign Trade or in Off-Season Cruises

“SEC. 601. (a) The Secretary of Transportation is authorized and directed to consider the application of any citizen of the United States for financial aid in the operation of a vessel or vessels, which are to be used in an essential service in the foreign commerce of the United States or in such service and in cruises authorized under section 613 of this title. In this title VI the term ‘essential service’ means the operation of a vessel on a service, route, or line described in section 211(a) [now 46 U.S.C. 50103(a)(1)] or in bulk cargo carrying service described in section 211(b) [now 46 U.S.C. 50103(b)]. No such application shall be approved by the Secretary of Transportation unless he determines that (1) the operation of such vessel or vessels in an essential service is required to meet foreign-flag competition and to promote the foreign commerce of the United States except to the extent such vessels are to be operated on cruises authorized under section 613 of this title, and that such vessel or vessels were built in the United States, or have been documented under the laws of the United States not later than February 1, 1928, or actually ordered and under construction for the account of citizens of the United States prior to such date; (2) the applicant owns, or leases or can and will build or purchase, or lease, a vessel or vessels of the size, type, speed, and number, and with the proper equipment required to enable him to operate in an essential service, in such manner as may be necessary to meet competitive conditions, and to promote foreign commerce; (3) the applicant possesses the ability, experience, financial resources, and other qualifications necessary to enable him to conduct the proposed operations of the vessel or vessels as to meet competitive conditions and promote foreign commerce; (4) the granting of the aid applied for is necessary to place the proposed operations of the vessel or vessels on a parity with those of foreign competitors, and is reasonably calculated to carry out effectively the purposes and policy of this Act [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title]. To the extent the application covers cruises, as authorized under section 613 of this title, the Secretary of Transportation may make the portion of this last determination relating to parity on the basis that any foreign flag cruise from the United States competes with any American flag cruise from the United States.

“(b) Every application for an operating-differential subsidy under the provisions of this title shall be accompanied by statements disclosing the names of all persons having any pecuniary interest, direct or indirect, in such application, or in the ownership or use of the vessel or vessels, routes, or lines covered thereby,

and the nature and extent of any such interest, together with such financial and other statements as may be required by the Secretary of Transportation. All such statements shall be under oath or affirmation and in such form as the Secretary of Transportation shall prescribe. Any person who, in an application for financial aid under this title or in any statement required to be filed therewith, willfully makes any untrue statement of a material fact, shall be guilty of a misdemeanor."

(As amended Pub. L. 87-45, §2, May 27, 1961, 75 Stat. 90; Pub. L. 91-469, §§14, 35(a), (h), Oct. 21, 1970, 84 Stat. 1023, 1035, 1036; Pub. L. 91-603, §4(c), (d), Dec. 31, 1970, 84 Stat. 1675; Pub. L. 97-31, §12(93), Aug. 6, 1981, 95 Stat. 161.)

Determination of Necessity of Subsidy To Meet Competition

"SEC. 602. Except with respect to cruises authorized under section 613 of this title, no contract for an operating-differential subsidy shall be made by the Secretary of Transportation for the operation of a vessel or vessels to meet foreign competition, except direct foreign-flag competition, until and unless the Secretary of Transportation, after a full and complete investigation and hearing, shall determine that an operating-differential subsidy is necessary to meet competition of foreign-flag ships."

(As amended June 23, 1938, ch. 600, §40(b), 52 Stat. 964; Pub. L. 87-45, §3, May 27, 1961, 75 Stat. 91; Pub. L. 91-469, §35(a), Oct. 21, 1970, 84 Stat. 1035; Pub. L. 97-31, §12(94), Aug. 6, 1981, 95 Stat. 161.)

Contracts for Payment of Subsidy

"SEC. 603. (a) If the Secretary of Transportation approves the application, he may enter into a contract with the applicant for the payment of an operating-differential subsidy determined in accordance with the provisions of subsection (b) of this section, for the operation of such vessel or vessels in an essential service and in cruises authorized under section 613 of this title for a period not exceeding twenty years, and subject to such reasonable terms and conditions, consistent with this Act [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title], as the Secretary of Transportation shall require to effectuate the purposes and policy of this Act, including a performance bond with approved sureties, if such bond is required by the Secretary of Transportation.

"(b) Such contract shall provide, except as the parties should agree upon a lesser amount, that the amount of the operating-differential subsidy for the operation of vessels in an essential service shall equal the excess of the subsidizable wage costs of the United States officers and crews, the fair and reasonable cost of insurance, subsistence of officers and crews on passenger vessels, as defined in section 613 of this Act, maintenance, and repairs not compensated by insurance, incurred in the operation under United States registry of the vessel or vessels covered by the contract, over the estimated fair and reasonable cost of the same items of expense (after deducting therefrom any estimated increase in such items necessitated by features incorporated pursuant to the provisions of section 501(b) [set out above]) if such vessel or vessels were operated under the registry of a foreign country whose vessels are substantial competitors of the vessel or vessels covered by the contract: *Provided, however*, That the Secretary of Transportation may, with respect to any vessel in an essential bulk cargo carrying service as described in section 211(b) [now 46 U.S.C. 50103(b)], pay, in lieu of the operating-differential subsidy provided by this subsection (b), such sums as he shall determine to be necessary to make the cost of operating such vessel competitive with the cost of operating similar vessels under the registry of a foreign country. For any period during which a vessel cruises as authorized by section 613 of this Act, operating-differential subsidy shall be computed as though the vessel were

operating on the essential service to which the vessel is assigned: *Provided, however*, That if the cruise vessel calls at a port or ports outside of its assigned service, but which is served with passenger vessels (as defined in section 613 of this Act) by another subsidized operator at an operating-differential subsidy rate for wages lower than the cruise vessel has on its assigned essential service, the operating-differential subsidy rates for each of the subsidizable items for each day (a fraction of a day to count as a day) that the vessel stops at such port shall be at the respective rates applicable to the subsidized operator regularly serving the area.

"(c)(1) When used in this section—

"(A) The term 'collective bargaining costs' means the annual cost, calculated on the basis of the per diem rate of expense as of any date, of all items of expense required of the applicant through collective bargaining or other agreement, covering the employ of United States officers and crew of a vessel, including payments required by law to assure old-age pensions, unemployment benefits, or similar benefits and taxes or other governmental assessments on crew payrolls, but excluding subsistence of officers and crews on vessels other than passenger vessels as defined in section 613 of this Act and costs relating to:

"(i) the officers or members of the crew that the Secretary of Transportation has found, prior to the award of a contract for the construction or reconstruction of a vessel, to be unnecessary for the efficient and economical operation of such vessel: *Provided*, That the Secretary of Transportation shall afford representatives of the collective-bargaining unit or units responsible for the manning of the vessel an opportunity to comment on such finding prior to the effective date of such finding: *And provided further*, That in determining whether officers or members of the crew are necessary for the efficient and economical operation of such vessel, the Secretary of Transportation shall give due consideration to, but shall not be bound by, wage and manning scales and working conditions required by a bona fide collective-bargaining agreement, or

"(ii) those officers or members of the crew that the Secretary of Transportation has found, prior to ninety days following the date of enactment of this subsection [Oct. 21, 1970], to be unnecessary for the efficient and economical operation of the vessel.

"(B) The term 'base period costs' means for the base period beginning July 1, 1970, and ending June 30, 1971, the collective-bargaining costs as of January 1, 1971, less all other items of cost that have been disallowed by the Secretary of Transportation prior to ninety days following the date of enactment of this subsection [Oct. 21, 1970], and not already excluded from collective-bargaining costs under subparagraph (A)(i) or (A)(ii) of this subsection. In any subsequent base period the term 'base period costs' means the average of the subsidizable wage cost of United States officers and crews for the preceding annual period ending June 30 (calculated without regard to the limitation of the last sentence of paragraph (D) of this subdivision but increased or decreased by the increase or decrease in the index described in subdivision (3) of this subsection from January 1 of such annual period to January 1 of the base period), and the collective-bargaining costs as of January 1 of the base period: *Provided*, That in no event shall the base period cost be such that the difference between the base period cost and the collective-bargaining costs as of January 1 of any base period subsequent to the first base period exceeds five-fourths of 1 per centum of the collective-bargaining costs as of such January 1 multiplied by the number of years that have elapsed since the most recent base period.

"(C) The term 'base period' means any annual period beginning July 1, and ending June 30 with respect to which a base period cost is established.

"(D) The term 'subsidizable wage costs of United States officers and crews' in any period other than a base period means the most recent base period costs increased or decreased by the increase or decrease from

January 1 of such base period to January 1 of such period in the index described in subdivision (3) hereof, and with respect to a base period means the base period cost. The subsidizable wage costs of United States officers and crews in any period other than a base period shall not be less than 90 per centum of the collective-bargaining costs as of January 1 of such period nor greater than 110 per centum of such collective-bargaining costs.

“(2) The Secretary of Transportation shall determine the collective-bargaining costs on ships in subsidized operation as of January 1, 1971, and as of each January 1 thereafter, and shall as of intervals of not less than two years nor more than four years, establish a new base period cost, except that the Secretary shall not establish a new base period unless he announces his intention to do so prior to the December 31 that would be included in the new base period.

“(3) The Bureau of Labor Statistics shall compile the index referred to in subdivision (1). Such index shall consist of the average annual change in wages and benefits placed into effect for employees covered by collective-bargaining agreements with equal weight to be given to changes affecting employees in the transportation industry (excluding the offshore maritime industry) and to changes affecting employees in private non-agricultural industries other than transportation. Such index shall be based on the materials regularly used by the Bureau of Labor Statistics in compiling its regularly published statistical series on wage and benefit changes arrived at through collective bargaining. Such materials shall remain confidential and not be subject to disclosure.

“(d) Each foreign wage cost computation shall be made after an opportunity is given to the contractor to submit in writing and in timely fashion all relevant data within his possession. In making the computation, the Secretary shall consider all relevant matter so presented and all foreign wage cost data collected at his request or on his behalf. Such foreign cost data shall be made available to an interested contractor, unless the Secretary shall find that disclosure of the data will prevent him from obtaining such data in the future. In determining foreign manning for purposes of this section, the foreign manning determined for any ship type with respect to any base period shall not be redetermined until the beginning of a new base period.

“(e) The wage subsidy shall be payable monthly for the voyages completed during the month, upon the contractor's certification that the subsidized vessels were in authorized service during the month. The Secretary of Transportation shall prescribe procedures for the calculation and payment of subsidy on items of expense which are included in ‘collective-bargaining costs’ but are not included in the daily rate because they are unpredictably timed.

“(f) Ninety percent of the amount of the insurance and maintenance and repair and subsistence of officers and crews subsidy shall be payable monthly for the voyages completed during the month on the basis of the subsidy estimated to have accrued with respect to such voyages. Any such payment shall be made only after there has been furnished to the Secretary of Transportation such security as he deems to be reasonable and necessary to assure refund of any overpayment. The contractor and the Secretary of Transportation shall audit the voyage accounts as soon as practicable after such payment. The remaining 10 percent of such subsidy shall be payable after such audit.”

(As amended Aug. 4, 1939, ch. 417, § 8, 53 Stat. 1185; Pub. L. 87-45, § 4, May 27, 1961, 75 Stat. 91; Pub. L. 87-243, Sept. 14, 1961, 75 Stat. 513; Pub. L. 91-469, §§ 15-17, 35(a), (i), Oct. 21, 1970, 84 Stat. 1023, 1024, 1035, 1036; Pub. L. 97-31, § 12(94), Aug. 6, 1981, 95 Stat. 161.)

Additional Subsidy; When Authorized

“SEC. 604. If in the case of any particular foreign-trade route the Secretary of Transportation shall find after consultation with the Secretary of State, that the subsidy provided for in this title is in any respect inad-

equate to offset the effect of governmental aid paid to foreign competitors, he may grant such additional subsidy as he determines to be necessary for that purpose.”

(As amended June 23, 1938, ch. 600, § 21, 52 Stat. 959; Aug. 4, 1939, ch. 417, § 9, 53 Stat. 1185; Pub. L. 97-31, § 12(95), Aug. 6, 1981, 95 Stat. 162.)

Vessels Excluded From Subsidy

“SEC. 605. (a) No operating-differential subsidy shall be paid for the operation of any vessel on a voyage on which it engages in coastwise or intercoastal trade: *Provided, however,* That such subsidy may be paid on a round-the-world voyage or a round voyage from the west coast of the United States to a European port or ports or a round voyage from the Atlantic coast to the Orient which includes intercoastal ports of the United States or a voyage in foreign trade on which the vessel may stop at the State of Hawaii, or an island possession or island territory of the United States, and if the subsidized vessel earns any gross revenue on the carriage of mail, passengers, or cargo by reason of such coastal or intercoastal trade the subsidy payment for the entire voyage shall be reduced by an amount which bears the same ratio to the subsidy otherwise payable as such gross revenue bears to the gross revenue derived from the entire voyage. No vessel operating on the inland waterways of the United States shall be considered for the purposes of this Act [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title] to be operating in foreign trade.

“(b) No operating-differential subsidy shall be paid for the operation of a vessel after the calendar year the vessel becomes 25 years of age, unless the Secretary of Transportation has determined, before the date of enactment of the Maritime Security Act of 1996 [Oct. 8, 1996], that it is in the public interest to grant such financial aid for the operation of such vessel.

“(c) No contract shall be made under this title with respect to a vessel to be operated in an essential service served by citizens of the United States which would be in addition to the existing service, or services, unless the Secretary of Transportation shall determine after proper hearing of all parties that the service already provided by vessels of United States registry is inadequate, and that in the accomplishment of the purposes and policy of this Act additional vessels should be operated thereon; and no contract shall be made with respect to a vessel operated or to be operated in an essential service served by two or more citizens of the United States with vessels of United States registry, if the Secretary of Transportation shall determine the effect of such a contract would be to give undue advantage or be unduly prejudicial, as between citizens of the United States, in the operation of vessels in such essential service unless following public hearing, due notice of which shall be given to each operator serving such essential service, the Secretary of Transportation shall find that it is necessary to enter into such contract in order to provide adequate service by vessels of United States registry. The Secretary of Transportation in determining for the purposes of this section whether services are competitive, shall take into consideration the type, size, and speed of the vessels employed, whether passenger or cargo, or combination passenger and cargo, vessels, the ports or ranges between which they run, the character of cargo carried, and such other facts as he may deem proper.”

(As amended July 17, 1952, ch. 939, § 15, 66 Stat. 764; Pub. L. 86-3, § 18(b)(2), Mar. 18, 1959, 73 Stat. 12; Pub. L. 86-518, § 1, June 12, 1960, 74 Stat. 216; Pub. L. 89-348, § 1(9), Nov. 8, 1965, 79 Stat. 1310; Pub. L. 91-469, §§ 18, 19, 26(b), 35(a), (j), Oct. 21, 1970, 84 Stat. 1025, 1026, 1034-1036; Pub. L. 97-31, § 12(96), Aug. 6, 1981, 95 Stat. 162; Pub. L. 104-239, § 3(a), Oct. 8, 1996, 110 Stat. 3126.)

Readjustments; Change in Service; Withdrawal From Service; Payment of Excess Profits; Wages, Etc.; American Materials

“SEC. 606. Every contract for an operating-differential subsidy under this title shall provide (1) that the

amount of the future payments to the contractor shall be subject to review and readjustment from time to time, but not more frequently than once a year, at the instance of the Secretary of Transportation or of the contractor. If any such readjustment cannot be reached by mutual agreement, the Secretary of Transportation, on his own motion or on the application of the contractor, shall, after a proper hearing, determine the facts and make such readjustment in the amount of such future payments as he may determine to be fair and reasonable and in the public interest. The testimony in every such proceeding shall be reduced to writing and filed in the office of the Secretary of Transportation. His decision shall be based upon and governed by the changes which may have occurred since the date of the said contract, with respect to the items theretofore considered and on which such contract was based, and other conditions affecting shipping, and shall be promulgated in a formal order, which shall be accompanied by a report in writing in which the Secretary of Transportation shall state his findings of fact; (2) that the compensation to be paid under it shall be reduced, under such terms and in such amounts as the Secretary of Transportation shall determine, for any periods in which the vessel or vessels are laid up; (3) that if the Secretary of Transportation shall determine that a change in an essential service, which is receiving an operating-differential subsidy under this title, is necessary in the accomplishment of the purposes of this Act [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title], it may make such change upon such readjustment of payments to the contractor as shall be arrived at by the method prescribed in clause (1) of these conditions; (4) that if at any time the contractor receiving an operating-differential subsidy claims that he cannot maintain and operate his vessels in such an essential service, with a reasonable profit upon his investment, and applies to the Secretary of Transportation for a modification or rescission of his contract to maintain such essential service, and the Secretary of Transportation determines that such claim is proved the Secretary of Transportation shall modify or rescind such contract and permit the contractor to withdraw such vessels from such essential service upon a date fixed by the Secretary of Transportation, and upon the date of such withdrawal the further payment of the operating differential subsidy shall cease and the contractor be discharged from any further obligation under such contract; (5) that the contractor shall conduct his operations with respect to essential services and any services authorized under section 613 of this title, covered by his contract in an economical and efficient manner, and (6) that whenever practicable, an operator who receives subsidy with respect to subsistence of officers and crews shall use as such subsistence items only articles, materials, and supplies of the growth, production, and manufacture of the United States, as defined in section 505 herein [set out above], except when it is necessary to purchase supplies outside the United States to enable such vessel to continue and complete her voyage, and an operator who receives subsidy with respect to repairs shall perform such repairs within any of the United States or the Commonwealth of Puerto Rico, except in an emergency."

(As amended June 23, 1938, ch. 600, §22, 52 Stat. 960; July 17, 1952, ch. 939, §16, 66 Stat. 764; May 10, 1956, ch. 247, §1, 70 Stat. 148; Pub. L. 86-624, §35(b), July 12, 1960, 74 Stat. 421; Pub. L. 87-45, §5, May 27, 1961, 75 Stat. 91; Pub. L. 91-469, §§20, 35(a), (k), Oct. 21, 1970, 84 Stat. 1026, 1035, 1036; Pub. L. 97-31, §12(96), Aug. 6, 1981, 95 Stat. 162.)

Capital Construction Fund

[Section 607 was classified to section 1177 of the former Appendix to this title and was primarily repealed and restated as chapter 535 of this title by Pub. L. 109-304, §§8(c), 19, Oct. 6, 2006, 120 Stat. 1586, 1710. For disposition of sections of the former Appendix to this

title, see Disposition Table preceding section 101 of this title.]

Sale or Assignment of Contract; Consent of Secretary; Purchaser Subject to Terms of Contract; Rescinding Contract on Transfer Without Consent

"SEC. 608. No contract executed under this title or any interest therein shall be sold, assigned, or transferred, either directly or indirectly, or through any reorganization, merger, or consolidation, nor shall any agreement or arrangement be made by the holder whereby the maintenance, management, or operation of the service, route, line, vessel, or vessels is to be performed by any other person, without the written consent of the Secretary of Transportation. If he consents to such agreement or arrangement, the agreement or arrangement shall make provision whereby the person undertaking such maintenance, management, or operation agrees to be bound by all of the provisions of the contract and of this Act [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title] applicable thereto, and the rules and regulations prescribed pursuant to this Act. If the holder of any such contract shall voluntarily sell such contract or any interest therein, or make such assignment, transfer, agreement, or arrangement whereby the maintenance, management, or operation of the service, route, line, vessel, or vessels is to be performed by any other person, without the consent of the Secretary of Transportation, or if the operation of the service, route, line, or vessel, shall pass out of the direct control of the holder of such contract by reason of any voluntary or involuntary receivership or bankruptcy proceedings, the Secretary of Transportation shall have the right to modify or rescind such contract, without further liability thereon by the United States, and is vested with exclusive jurisdiction to determine the purposes for which any payments made by him under such contract shall be expended."

(As amended Pub. L. 97-31, §12(98), Aug. 6, 1981, 95 Stat. 162.)

Withholding Payment to Defaulting Contractor

"SEC. 609. The Secretary of Transportation shall withhold the payment of operating-differential subsidy while any contractor therefor is in default in any payments due on account of construction-loan, ship-sales mortgage notes, or any other obligation due the United States, and shall apply the amount so withheld to the satisfaction of such debt."

(As amended June 23, 1938, ch. 600, §29, 52 Stat. 961; Pub. L. 97-31, §12(99), Aug. 6, 1981, 95 Stat. 162.)

Vessels Eligible for Subsidy

"SEC. 610. An operating-differential subsidy shall not be paid under authority of this title on account of the operation of any vessel which does not meet the following requirements: (1) The vessel shall be of steel or other acceptable metal, shall be propelled by steam or motor, shall be as nearly fireproof as practicable, shall be built in a domestic yard or shall have been documented under the laws of the United States not later than February 1, 1928, or actually ordered and under construction for the account of citizens of the United States prior to such date, and shall be documented under the laws of the United States, during the entire life of the subsidy contract; and (2) if the vessel shall be constructed after June 29, 1936 it shall be either a vessel constructed according to plans and specifications approved by the Secretary of Transportation and the Secretary of the Navy, with particular reference to economical conversion into an auxiliary naval vessel, or a vessel approved by the Secretary of Transportation and the Navy Department as otherwise useful to the United States in time of national emergency."

(As amended Pub. L. 97-31, §12(99), Aug. 6, 1981, 95 Stat. 162.)

Transfer of Vessels to Foreign Registry on Default of United States

“SEC. 611. (a) The contractor, upon compliance with the provisions of this section, may transfer to foreign registry the vessels covered by any operating-differential subsidy contract held by him, in the event that the United States defaults upon such contract or cancels it without just cause. Any contractor desiring to transfer any such vessel to foreign registry upon such default or cancellation shall file an application in writing with the Secretary of Transportation setting forth its contentions with respect to the lack of just cause or lawful grounds for such default or cancellation. The Secretary of Transportation shall afford the contractor an opportunity for a hearing within twenty days after such contractor files written application therefor, and after the testimony, if any, in such hearing has been reduced to writing and filed with the Secretary of Transportation, he shall, within a reasonable time, grant or deny the application by order.

“(b) If any such application is denied, the contractor may obtain a review of the order of denial in the United States Court of Appeals for the District of Columbia, by filing in such court, within twenty days after the entry of such order, a written petition praying that the order of the Secretary of Transportation be set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Secretary of Transportation or any officer designated by him for that purpose, and thereupon the Secretary of Transportation shall file in the court the record upon which the order complained of was entered, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition such court shall have exclusive jurisdiction to determine whether such cancellation or default was without just cause, and to affirm or set aside such order. The judgment and decree of the court affirming or setting aside any such order of the Secretary of Transportation shall be final.

“(c) No transfer of vessels to foreign registry under this section shall become effective until any indebtedness to the Government or to any citizen of the United States, secured by such vessels, has been paid or discharged, and until after the expiration of ninety days from the date of final determination of the application or the appeal, if any. Within such ninety-day period the Secretary of Transportation may (1) with the consent of the contractor purchase the vessels at cost to the contractor plus cost of capital improvements thereon, less 4 per centum annual depreciation upon such vessel, and the actual depreciated costs of capital improvements thereon, or (2) reinstate the contract and adjust or settle the default found by the Secretary of Transportation or the court to exist.”

(As added June 23, 1938, ch. 600, § 30, 52 Stat. 961; and amended Pub. L. 85-791, § 17, Aug. 28, 1958, 72 Stat. 947; Pub. L. 86-518, § 4, June 12, 1960, 74 Stat. 216; Pub. L. 97-31, § 12(100), Aug. 6, 1981, 95 Stat. 162.)

Subordination of Secretary's Interest to Reconstruction Finance Corporation

[Section 612 was classified to section 1182 of the former Appendix to this title and was repealed by Pub. L. 101-225, title III, § 307(7), Dec. 12, 1989, 103 Stat. 1925.]

Off-Season Cruises by Passenger Vessels

“SEC. 613. (a) In this section, ‘passenger vessel’ means a vessel which (1) is of not less than ten thousand gross tons, and (2) has accommodations for not less than one hundred passengers.

“(b) If the Secretary of Transportation finds that the operation of any passenger vessel with respect to which a contract for the payment of an operating-differential subsidy has been entered into under section 603 of this title effective before January 2, 1960, is not required for all of each year, in order to furnish adequate service on the service, route, or line covered by such contract, he may amend such contract to agree to pay an operating-differential subsidy for operation of the vessel (1) on

such service, route, or line for some part or no part of each year, and (2) on cruises for all or part of each year if such specific cruise is approved by the Secretary of Transportation under subsection (e) of this section: *Provided, however*, That no such vessel may cruise for more than seven months of each year to ports which are regularly served by another United States-flag passenger vessel pursuant to an operating-differential subsidy contract.

“(c) The Secretary of Transportation may authorize passenger vessels under operating-differential subsidy contracts to provide domestic service between specified ports while the vessels are on voyages in an essential service in the foreign commerce of the United States without reduction of operating-differential subsidy and the partial payback of construction-differential subsidy for operating in the domestic trades, if he finds that such domestic service will not result in a substantial deviation from the service, route, or line for which operating-differential subsidy is paid and will not adversely affect service on such service, route, or line.

“(d) When a vessel is being operated on cruises or has been authorized under this section to provide domestic passenger services while on voyages in an essential service in foreign commerce of the United States—

“(1) except as provided in subdivision (4) of this subsection, it shall carry no mail unless required by law, or cargo except passengers’ luggage, except between those ports between which it may carry mail and cargo on its regular service assigned by contract;

“(2) it may not carry one-way passengers between those ports served by another United States carrier on its regular service assigned by contract, without the consent of such carrier, except between those ports between which it may carry one-way passengers on its own regular service assigned by contract;

“(3) it shall stop at other domestic ports only for the same time and the same purpose as is permitted with respect to a foreign-flag vessel which is carrying passengers who embarked at a domestic port, except that a cruise may end at a different port or coast from that where it began and may embark or disembark passengers at other domestic ports, either when not involving transportation in the domestic offshore trade in competition with a United States-flag passenger vessel offering berth service therein, or, if involving such transportation, with the consent of such carrier: *Provided, however*, That nothing herein shall be construed to repeal or modify section 805(a) of this Act [now 46 U.S.C. 58101].

“(4) Any other provisions of the Merchant Marine Act, 1936 [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title] or of the Shipping Act, 1916 [former 46 U.S.C. App. 801 et seq., see Disposition Table preceding section 101 of this title], to the contrary notwithstanding, with the approval of the Secretary of Transportation, it may carry cargo and mail between ports to the extent such carriage is not in direct competition with a carrier offering United States-flag berth service between those ports, or, if such carriage is in direct competition with one or more carriers offering United States-flag berth service between such ports, with the consent of the next scheduled United States-flag carrier, which consent shall not be unreasonably withheld in the judgment of the Maritime Administrator.

“Section 605(c) of this Act shall not apply to cruises authorized under this section. Notwithstanding the applicable provisions of sections 605(a) and 506 [set out above] of this Act requiring the reduction of operating differential subsidy and the partial payback of construction differential subsidy for operating in the domestic trades, such reduction of operating subsidy and partial payback of construction subsidy under sections 605(a) and 506, respectively, shall not apply to cruises or domestic services authorized under this section.

“(e) Upon the application of any operator for approval of a specific cruise, the Secretary of Transportation, after notice to all other American flag operators who may be affected and after affording all such

operators an opportunity to submit written data, views or arguments, with or without opportunity to present the same orally in any manner, and after consideration of all relevant matter presented, shall approve the proposed cruise, if he determines that the proposed cruise will not substantially adversely affect an existing operator's service performed with passenger vessels of United States registry. Such approval shall not be given more than two years in advance of the beginning of the cruise."

(As added Pub. L. 87-45, § 1, May 27, 1961, 75 Stat. 89; and amended Pub. L. 90-358, §§ 1, 2, June 22, 1968, 82 Stat. 248; Pub. L. 91-250, May 14, 1970, 84 Stat. 215; Pub. L. 92-323, June 30, 1972, 86 Stat. 389; Pub. L. 97-31, § 12(102), Aug. 6, 1981, 95 Stat. 162.)

Suspension of Operating Differential Subsidy Contracts by Operator Recipients

"SEC. 614. (a) Any operator receiving operating differential subsidy funds may elect, for all or a portion of its ships, to suspend its operating differential subsidy contract with all attendant statutory and contractual restrictions, except as to those pertaining to the domestic intercoastal or coastwise service, including any agreement providing for the replacement of vessels, if—

"(1) the vessel is less than ten years of age;

"(2) the suspension period is not less than twelve months;

"(3) the operator's financial condition is maintained at a level acceptable to the Secretary of Commerce; and

"(4) the owner agrees to pay to the Secretary, upon such terms and conditions as he may prescribe, an amount which bears the same proportion to the construction differential subsidy paid by the Secretary as the portion of the suspension period during which the vessel is operated in any preference trade from which a subsidized vessel would otherwise be excluded by law or contract bears to the entire economic life of the vessel.

"(b) Any operator making an election under this section is entitled to full reinstatement of the suspended contract on request. The Secretary of Commerce may prescribe rules and regulations consistent with the purpose of this section."

(As added Pub. L. 97-35, title XVI, § 1603, Aug. 13, 1981, 95 Stat. 751.)

Construction, Reconstruction, or Acquisition of Vessels Over Five Thousand Deadweight Tons in Foreign Shipyards; Preconditions

"SEC. 615. (a) The Secretary of Commerce may, until September 30, 1983, authorize an operator receiving or applying for operating differential subsidy under this title to construct, reconstruct, or acquire its vessels of over five thousand deadweight tons in a foreign shipyard if the Secretary finds and certifies in writing that such operator's application for construction differential subsidy cannot be approved due to the unavailability of funds in the construction differential subsidy account. Vessels constructed, reconstructed, or modified pursuant to this section shall be deemed to have been United States built for the purposes of this title, section 901(b) of this Act [now 46 U.S.C. 55305], and section 5(7) of the Port and Tanker Safety Act of 1978 (46 U.S.C. 391(a)(7) [391a(7)]) [now 46 U.S.C. 3704-3709]: *Provided*, That the provisions of section 607 of this Act shall not apply to vessels constructed, reconstructed, modified, or acquired pursuant to this section.

"(b) The provisions of this section shall be effective for fiscal year 1983 only if the President in his annual budget message for that year requests at least \$100,000,000 in construction differential subsidy or proposes an alternate program that would create equivalent merchant shipbuilding activity in privately owned United States shipyards and the Secretary reports to Congress on the effect such action will have on the shipyard mobilization base at least thirty days prior to making the certification referred to in subsection (a)."

(As added Pub. L. 97-35, title XVI, § 1610, Aug. 13, 1981, 95 Stat. 753.)

Wind-Up of Program

"SEC. 616. (a) After the date of enactment of the Maritime Security Act of 1996 [Oct. 8, 1996], the Secretary of Transportation shall not enter into any new contract for operating-differential subsidy under this subtitle.

"(b) Notwithstanding any other provision of this Act [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title], any operating-differential subsidy contract in effect under this title on the day before the date of enactment of the Maritime Security Act of 1996 [Oct. 8, 1996], shall continue in effect and terminate as set forth in the contract, unless voluntarily terminated at an earlier date by the parties (other than the United States Government) to the contract.

"(c) The essential service requirements of section[s] 601(a) and 603(b), and the provisions of sections 605(c) and 809(a) [set out as a note below], shall not apply to the operating-differential subsidy program under this subtitle effective upon the earlier of—

"(1) the date that a payment is made, under the Maritime Security Program established by subtitle B [former 46 U.S.C. App. 1187 et seq.] to a contractor under that subtitle who is not party to an operating-differential subsidy contract under this subtitle, with the Secretary to cause notice of the date of such payment to be published in the Federal Register as soon as possible; or

"(2) with respect to a particular contractor under the operating-differential subsidy program, the date that contractor enters into a contract with the Secretary under the Maritime Security Program established by subtitle B.

"(d)(1) Notwithstanding any other provision of law, a vessel may be transferred and registered under an effective United States-controlled foreign flag if—

"(A) the operator of the vessel receives an operating-differential subsidy pursuant to a contract under this subtitle which is in force on October 1, 1994, and the Secretary approves the replacement of such vessel with a comparable vessel, or

"(B) the vessel is covered by an operating agreement under subtitle B, and the Secretary approves the replacement of such vessel with a comparable vessel for inclusion in the Maritime Security Fleet established under subtitle B.

"(2) Any such vessel may be requisitioned by the Secretary of Transportation pursuant to section 902 [now 46 U.S.C. 56301 et seq.]."

(As added Pub. L. 104-239, § 3(b), Oct. 8, 1996, 110 Stat. 3127.)

[Title VI of act June 29, 1936, ch. 858, comprising this note, consisted of sections 601 to 611 and 613 to 616 which were classified to sections 1171 to 1181 and 1183 to 1185a, respectively, of the former Appendix to this title, prior to the enactment of Pub. L. 109-304 and elimination of that Appendix. For complete disposition of those sections, see Disposition Table preceding section 101 of this title.]

CONTRACT PROVISIONS

Act June 29, 1936, ch. 858, title VIII, §§ 801, 802, 809, 49 Stat. 2011, 2015, as amended, provided as follows:

Provision for Books and Records; Filing Balance Sheets; Inspection and Auditing by Secretary; Rescission of Contract on Failure to Comply With Provisions

"SEC. 801. Every contract executed by the Secretary of Transportation under the provisions of title VI or VII of this Act [former 46 U.S.C. App. 1171 et seq., 1191 et seq., see Disposition Table preceding section 101 of this title] shall contain provisions requiring (1) that, the contractor and every affiliate, domestic agent, subsidiary, or holding company connected with, or directly or indirectly controlling or controlled by, the contrac-

tor, to keep its books, records, and accounts, relating to the maintenance, operation, and servicing of the vessels, services, routes, and lines covered by the contract, in such form and under such regulations as may be prescribed by the Secretary of Transportation: *Provided*, That the provisions of this paragraph shall not require the duplication of books, records, and accounts required to be kept in some other form by the Interstate Commerce Commission; (2) that the contractor and every affiliate, domestic agent, subsidiary, or holding company connected with, or directly or indirectly controlling or controlled by, the contractor, to file, upon notice from the Secretary of Transportation, balance sheets, profit and loss statements, and such other statements of financial operations, special report, memoranda of any facts and transactions, which in the opinion of the Secretary of Transportation affect the financial results in, the performance of, or transactions or operations under, such contract; (3) that the Secretary of Transportation shall be authorized to examine and audit the books, records, and accounts of all persons referred to in this section whenever he may deem it necessary or desirable; and (4) that upon the willful failure or refusal of any person described in this section to comply with the contract provisions required by this section, the Secretary of Transportation shall have the right to rescind the contract, and upon such rescission, the United States shall be relieved of all further liability on such contract."

(As amended Pub. L. 97-31, §12(119), Aug. 6, 1981, 95 Stat. 164.)

**Purchase or Requisition of Vessels by United States;
Amount of Payment**

"SEC. 802. Every contract executed by the Secretary of Transportation under authority of title V of this Act [former 46 U.S.C. App. 1151 et seq., see Disposition Table preceding section 101 of this title] shall provide that—

"In the event the United States shall, through purchase or requisition, acquire ownership of the vessel or vessels on which a construction-differential subsidy was paid, the owner shall be paid therefor the value thereof, but in no event shall such payment exceed the actual depreciated construction cost thereof (together with the actual depreciated cost of capital improvements thereon, but excluding the cost of national-defense features) less the depreciated amount of construction-differential subsidy theretofore paid incident to the construction or reconditioning of such vessel or vessels, or the fair and reasonable scrap value of such vessel as determined by the Secretary of Transportation, whichever is the greater. Such determination shall be final. In computing the depreciated value of such vessel, depreciation shall be computed on each vessel on the schedule adopted by the Bureau of Internal Revenue [Internal Revenue Service] for income-tax purposes.

"The foregoing provision respecting the requisition or the acquisition of ownership by the United States shall run with the title to such vessel or vessels and be binding on all owners thereof."

(As amended June 29, 1936, ch. 858, title VIII, §802, 49 Stat. 2011; June 23, 1938, ch. 600, §33, 52 Stat. 962; Aug. 7, 1939, ch. 555, §2, 53 Stat. 1254; Pub. L. 97-31, §12(120), Aug. 6, 1981, 95 Stat. 164.)

Contracts Designed Equitably for All Ports; Minimum Allocation of Funds; Report to Congress; Preference to Citizens of United States

"SEC. 809. (a) Contracts under this Act [former 46 U.S.C. App. 1101 et seq., see Disposition Table preceding section 101 of this title] shall be entered into so as to equitably serve, insofar as possible, the foreign-trade requirements of the Atlantic, Gulf, Great Lakes, and Pacific ports of the United States. In order to assure equitable treatment for each range of ports referred to in the preceding sentence, not less than 10 percent of the funds appropriated for construction-differential

subsidy and operating-differential subsidy pursuant to this Act or any law authorizing funds for the purposes of this Act shall be allocated to each such port range: *Provided, however*, That such allocation shall apply to the extent that subsidy contracts are approved by the Secretary of Transportation. For the purposes of this section, the Secretary shall establish trade routes, services, or lines that take into account the seasonal closure of the Saint Lawrence Seaway and provide for alternate routing of ships via a different range of ports during that closure so as to maintain continuity of service on a year-round basis. For the purposes of section 605(c) [set out above], such an alternate routing via a different range of ports shall be deemed to be service from Great Lakes ports, provided such alternate routing is based upon receipt or delivery of cargo at Great Lakes-Saint Lawrence Seaway ports under through intermodal bills of lading. The Secretary shall include in the annual report pursuant to section 208 of this Act [former 46 U.S.C. App. 1118, see 46 U.S.C. 50111(a)] a detailed report (1) describing the actions that have been taken pursuant to this Act to assure insofar as possible that direct and adequate service is provided by United States-flag commercial vessels to each range of ports referred to in this section; and (2) including any recommendations for additional legislation that may be necessary to achieve the purpose of this section. In awarding contracts under this Act, preference shall be given to persons who are citizens of the United States and who have the support, financial and otherwise, of the domestic communities primarily interested.

"(b) [Repealed. Pub. L. 109-304, §19, Oct. 6, 2006, 120 Stat. 1710.]"

(As amended Pub. L. 91-469, §26(a), Oct. 21, 1970, 84 Stat. 1034; Pub. L. 94-10, §3, Mar. 23, 1975, 89 Stat. 16; Pub. L. 94-127, §4, Nov. 13, 1975, 89 Stat. 680; Pub. L. 96-470, title II, §201(a), Oct. 19, 1980, 94 Stat. 2241; Pub. L. 97-31, §12(121), Aug. 6, 1981, 95 Stat. 164; Pub. L. 97-35, title XVI, §1604, Aug. 13, 1981, 95 Stat. 751; Pub. L. 109-304, §§14(b), 19, Oct. 6, 2006, 120 Stat. 1702, 1710.)

ENROLLMENT IN SEALIFT READINESS PROGRAM

Act June 29, 1936, ch. 858, title IX, §909, as added by Pub. L. 97-35, title XVI, §1605, Aug. 13, 1981, 95 Stat. 752, provided that: "No vessel may receive construction differential subsidy or operating differential subsidy if it is not offered for enrollment in a sealift readiness program approved by the Secretary of Defense."

§ 53102. Establishment of Maritime Security Fleet

(a) **IN GENERAL.**—The Secretary of Transportation, in consultation with the Secretary of Defense, shall establish a fleet of active, commercially viable, militarily useful, privately owned vessels to meet national defense and other security requirements and maintain a United States presence in international commercial shipping. The Fleet shall consist of privately owned, United States-documented vessels for which there are in effect operating agreements under this chapter, and shall be known as the Maritime Security Fleet.

(b) **VESSEL ELIGIBILITY.**—A vessel is eligible to be included in the Fleet if—

- (1) the vessel meets the requirements of paragraph (1), (2), (3), or (4) of subsection (c);
- (2) the vessel is operated (or in the case of a vessel to be constructed, will be operated) in providing transportation in foreign commerce;
- (3) the vessel is self-propelled and is—

(A) a roll-on/roll-off vessel with a carrying capacity of at least 80,000 square feet or 500 twenty-foot equivalent units and that is 15 years of age or less on the date the vessel is included in the Fleet;

(B) a tank vessel that is constructed in the United States after the date of the enactment of this chapter;

(C) a tank vessel that is 10 years of age or less on the date the vessel is included in the Fleet;

(D) a LASH vessel that is 25 years of age or less on the date the vessel is included in the Fleet; or

(E) any other type of vessel that is 15 years of age or less on the date the vessel is included in the Fleet;

(4) the vessel is—

(A) determined by the Secretary of Defense to be suitable for use by the United States for national defense or military purposes in time of war or national emergency; and

(B) determined by the Secretary to be commercially viable; and

(5) the vessel—

(A) is a United States-documented vessel; or

(B) is not a United States-documented vessel, but—

(i) the owner of the vessel has demonstrated an intent to have the vessel documented under chapter 121 of this title if it is included in the Fleet; and

(ii) at the time an operating agreement for the vessel is entered into under this chapter, the vessel is eligible for documentation under chapter 121 of this title.

(c) REQUIREMENTS REGARDING CITIZENSHIP OF OWNERS, CHARTERERS, AND OPERATORS.—

(1) VESSEL OWNED AND OPERATED BY SECTION 50501 CITIZENS.—A vessel meets the requirements of this paragraph if, during the period of an operating agreement under this chapter that applies to the vessel, the vessel will be owned and operated by one or more persons that are citizens of the United States under section 50501 of this title.

(2) VESSEL OWNED BY SECTION 50501 CITIZEN OR UNITED STATES CITIZEN TRUST, AND CHARTERED TO DOCUMENTATION CITIZEN.—A vessel meets the requirements of this paragraph if—

(A) during the period of an operating agreement under this chapter that applies to the vessel, the vessel will be—

(i) owned by a person that is a citizen of the United States under section 50501 of this title or that is a United States citizen trust; and

(ii) demise chartered to a person—

(I) that is eligible to document the vessel under chapter 121 of this title;

(II) the chairman of the board of directors, chief executive officer, and a majority of the members of the board of directors of which are citizens of the United States under section 50501 of this title, and are appointed and subjected to removal only upon approval by the Secretary; and

(III) that certifies to the Secretary that there are no treaties, statutes, regulations, or other laws that would prohibit the contractor for the vessel from performing its obligations under an operating agreement under this chapter;

(B) in the case of a vessel that will be demise chartered to a person that is owned or controlled by another person that is not a citizen of the United States under section 50501 of this title, the other person enters into an agreement with the Secretary not to influence the operation of the vessel in a manner that will adversely affect the interests of the United States; and

(C) the Secretary and the Secretary of Defense notify the Committee on Armed Services and the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Armed Services of the House of Representatives that they concur with the certification required under subparagraph (A)(ii)(III), and have reviewed and agree that there are no other legal, operational, or other impediments that would prohibit the contractor for the vessel from performing its obligations under an operating agreement under this chapter.

(3) VESSEL OWNED AND OPERATED BY DEFENSE CONTRACTOR.—A vessel meets the requirements of this paragraph if—

(A) during the period of an operating agreement under this chapter that applies to the vessel, the vessel will be owned and operated by a person that—

(i) is eligible to document a vessel under chapter 121 of this title;

(ii) operates or manages other United States-documented vessels for the Secretary of Defense, or charters other vessels to the Secretary of Defense;

(iii) has entered into a special security agreement for purposes of this paragraph with the Secretary of Defense;

(iv) makes the certification described in paragraph (2)(A)(ii)(III); and

(v) in the case of a vessel described in paragraph (2)(B), enters into an agreement referred to in that paragraph; and

(B) the Secretary and the Secretary of Defense notify the Committee on Armed Services and the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Armed Services of the House of Representatives that they concur with the certification required under subparagraph (A)(iv), and have reviewed and agree that there are no other legal, operational, or other impediments that would prohibit the contractor for the vessel from performing its obligations under an operating agreement under this chapter.

(4) VESSEL OWNED BY DOCUMENTATION CITIZEN AND CHARTERED TO SECTION 50501 CITIZEN.—A vessel meets the requirements of this paragraph if, during the period of an operating agreement under this chapter that applies to the vessel, the vessel will be—

(A) owned by a person that is eligible to document a vessel under chapter 121 of this title; and

(B) demise chartered to a person that is a citizen of the United States under section 50501 of this title.

(d) REQUEST BY SECRETARY OF DEFENSE.—The Secretary of Defense shall request the Secretary

of Homeland Security to issue any waiver under section 501 of this title that is necessary for purposes of this chapter.

(e) VESSEL STANDARDS.—

(1) CERTIFICATE OF INSPECTION.—A vessel used to provide oceangoing transportation which the Secretary of the department in which the Coast Guard is operating determines meets the criteria of subsection (b) of this section but which, on the date of enactment of the Maritime Security Act of 2003, is not documented under chapter 121 of this title, shall be eligible for a certificate of inspection if the Secretary determines that—

(A) the vessel is classed by and designed in accordance with the rules of the American Bureau of Shipping, or another classification society accepted by the Secretary;

(B) the vessel complies with applicable international agreements and associated guidelines, as determined by the country in which the vessel was documented immediately before becoming documented under chapter 121; and

(C) that country has not been identified by the Secretary as inadequately enforcing international vessel regulations as to that vessel.

(2) CONTINUED ELIGIBILITY FOR CERTIFICATE.—Paragraph (1) does not apply to a vessel after any date on which the vessel fails to comply with the applicable international agreements and associated guidelines referred to in paragraph (1)(B).

(3) RELIANCE ON CLASSIFICATION SOCIETY.—

(A) IN GENERAL.—The Secretary may rely on a certification from the American Bureau of Shipping or, subject to subparagraph (B), another classification society accepted by the Secretary to establish that a vessel is in compliance with the requirements of paragraphs (1) and (2).

(B) FOREIGN CLASSIFICATION SOCIETY.—The Secretary may accept certification from a foreign classification society under subparagraph (A) only—

(i) to the extent that the government of the foreign country in which the society is headquartered provides access on a reciprocal basis to the American Bureau of Shipping; and

(ii) if the foreign classification society has offices and maintains records in the United States.

(f) WAIVER OF AGE RESTRICTION.—The Secretary of Defense, in conjunction with the Secretary of Transportation, may waive the application of an age restriction under subsection (b)(3) if the Secretaries jointly determine that the waiver—

(1) is in the national interest;

(2) is appropriate to allow the maintenance of the economic viability of the vessel and any associated operating network; and

(3) is necessary due to the lack of availability of other vessels and operators that comply with the requirements of this chapter.

(Added Pub. L. 108-136, div. C, title XXXV, § 3531(a), Nov. 24, 2003, 117 Stat. 1805; amended Pub. L. 109-304, § 13(a)(1), Oct. 6, 2006, 120 Stat. 1700.)

REFERENCES IN TEXT

The date of the enactment of this chapter, referred to in subsec. (b)(3)(B), is the date of enactment of Pub. L. 108-136, which was approved Nov. 24, 2003.

The date of enactment of the Maritime Security Act of 2003, referred to in subsec. (e)(1), is the date of enactment of Pub. L. 108-136, which was approved Nov. 24, 2003.

AMENDMENTS

2006—Subsec. (c). Pub. L. 109-304, § 13(a)(1)(A), (B), substituted “section 50501” for “section 2” in the headings of pars. (1), (2), and (4) and substituted “section 50501 of this title” for “section 2 of the Shipping Act, 1916 (46 U.S.C. App. 802)” in pars. (1), (2)(A)(i), (ii)(II), (B), and (4)(B).

Subsec. (d). Pub. L. 109-304, § 13(a)(1)(C), substituted “section 501 of this title” for “the first section of Public Law 81-891 (64 Stat. 1120; 46 U.S.C. App. note prec. 3)”.

Subsec. (e)(1). Pub. L. 109-304, § 13(a)(1)(D), substituted “documented under chapter 121 of this title,” for “a documented vessel (as that term is defined in section 12101 of this title)” in introductory provisions and “documented under chapter 121” for “a documented vessel (as defined in that section)” in subpar. (B).

VESSEL STANDARDS

Pub. L. 104-324, title XI, § 1137, Oct. 19, 1996, 110 Stat. 3988, as amended by Pub. L. 108-136, div. C, title XXXV, § 3534(b)(2), Nov. 24, 2003, 117 Stat. 1818, provided that:

“(a) CERTIFICATE OF INSPECTION.—A vessel used to provide transportation service as a common carrier which the Secretary of Transportation determines meets the criteria of section 53102(b) of title 46, United States Code, but which on the date of enactment of this Act [Oct. 19, 1996] is not a documented vessel (as that term is defined in section 2101 [now section 106] of title 46, United States Code), shall be eligible for a certificate of inspection if the Secretary determines that—

“(1) the vessel is classed by and designed in accordance with the rules of the American Bureau of Shipping or another classification society accepted by the Secretary;

“(2) the vessel complies with applicable international agreements and associated guidelines, as determined by the country in which the vessel was documented immediately before becoming a documented vessel (as defined in that section); and

“(3) that country has not been identified by the Secretary as inadequately enforcing international vessel regulations as to that vessel.

“(b) CONTINUED ELIGIBILITY FOR CERTIFICATE.—Subsection (a) does not apply to a vessel after any date on which the vessel fails to comply with the applicable international agreements and associated guidelines referred to in subsection (a)(2).

“(c) RELIANCE ON CLASSIFICATION SOCIETY.—

“(1) IN GENERAL.—The Secretary may rely on a certification from the American Bureau of Shipping or, subject to paragraph (2), another classification society accepted by the Secretary to establish that a vessel is in compliance with the requirements of subsections (a) and (b).

“(2) FOREIGN CLASSIFICATION SOCIETY.—The Secretary may accept certification from a foreign classification society under paragraph (1) only—

“(A) to the extent that the government of the foreign country in which the society is headquartered provides access on a reciprocal basis to the American Bureau of Shipping; and

“(B) if the foreign classification society has offices and maintains records in the United States.”

§ 53103. Award of operating agreements

(a) IN GENERAL.—The Secretary shall require, as a condition of including any vessel in the Fleet, that the person that is the owner or oper-

ator of the vessel for purposes of section 53102(c) enter into an operating agreement with the Secretary under this section.

(b) PROCEDURE FOR APPLICATIONS.—

(1) ACCEPTANCE OF APPLICATIONS.—Beginning no later than 30 days after the effective date of this chapter, the Secretary shall accept applications for enrollment of vessels in the Fleet.

(2) ACTION ON APPLICATIONS.—Within 90 days after receipt of an application for enrollment of a vessel in the Fleet, the Secretary shall approve the application in conjunction with the Secretary of Defense, and shall enter into an operating agreement with the applicant, or provide in writing the reason for denial of that application.

(3) PARTICIPATING FLEET VESSELS.—

(A) IN GENERAL.—The Secretary shall accept an application for an operating agreement for a participating fleet vessel under the priority under subsection (c)(1)(B) only from a person that has authority to enter into an operating agreement for the vessel with respect to the full term of the operating agreement.

(B) VESSEL UNDER DEMISE CHARTER.—For purposes of subparagraph (A), in the case of a vessel that is subject to a demise charter that terminates by its terms on September 30, 2005 (without giving effect to any extension provided therein for completion of a voyage or to effect the actual redelivery of the vessel), or that is terminable at will by the owner of the vessel after such date, only the owner of the vessel shall be treated as having the authority referred to in paragraph (1).

(C) VESSEL OWNED BY UNITED STATES CITIZEN TRUST.—For purposes of subparagraph (B), in the case of a vessel owned by a United States citizen trust, the term “owner of the vessel” includes a beneficial owner of the vessel with respect to such trust.

(c) PRIORITY FOR AWARDED AGREEMENTS.—

(1) IN GENERAL.—Subject to the availability of appropriations, the Secretary shall enter into operating agreements according to the following priority:

(A) NEW TANK VESSELS.—First, for any tank vessel that—

(i) is constructed in the United States after the effective date of this chapter;

(ii) is eligible to be included in the Fleet under section 53102(b); and

(iii) during the period of an operating agreement under this chapter that applies to the vessel, will be owned and operated by one or more persons that are citizens of the United States under section 50501 of this title,

except that the Secretary shall not enter into operating agreements under this subparagraph for more than 5 such vessels.

(B) PARTICIPATING FLEET VESSELS.—Second, to the extent amounts are available after applying subparagraph (A), for any participating fleet vessel, except that the Secretary shall not enter into operating agreements under this subparagraph for more than 47 vessels.

(C) CERTAIN VESSELS OPERATED BY SECTION 50501 CITIZENS.—Third, to the extent amounts are available after applying subparagraphs (A) and (B), for any other vessel that is eligible to be included in the Fleet under section 53102(b), and that, during the period of an operating agreement under this chapter that applies to the vessel, will be—

(i) owned and operated by one or more persons that are citizens of the United States under section 50501 of this title; or

(ii) owned by a person that is eligible to document the vessel under chapter 121 of this title, and operated by a person that is a citizen of the United States under section 50501 of this title.

(D) OTHER ELIGIBLE VESSELS.—Fourth, to the extent amounts are available after applying subparagraphs (A), (B), and (C), for any other vessel that is eligible to be included in the Fleet under section 53102(b).

(2) REDUCTION IN NUMBER OF SLOTS FOR PARTICIPATING FLEET VESSELS.—The number in paragraph (1)(B) shall be reduced by 1—

(A) for each participating fleet vessel for which an application for enrollment in the Fleet is not received by the Secretary within the 90-day period beginning on the effective date of this chapter; and

(B) for each participating fleet vessel for which an application for enrollment in the Fleet received by the Secretary is not approved by the Secretary and the Secretary of Defense within the 90-day period beginning on the date of such receipt.

(3) DISCRETION WITHIN PRIORITY.—The Secretary—

(A) subject to subparagraph (B), may award operating agreements within each priority under paragraph (1) as the Secretary considers appropriate; and

(B) shall award operating agreements within a priority—

(i) in accordance with operational requirements specified by the Secretary of Defense;

(ii) in the case of operating agreements awarded under subparagraph (C) or (D) of paragraph (1), according to applicants' records of owning and operating vessels; and

(iii) subject to the approval of the Secretary of Defense.

(4) TREATMENT OF TANK VESSEL TO BE REPLACED.—(A) For purposes of the application of paragraph (1)(A) with respect to the award of an operating agreement, the Secretary may treat an existing tank vessel that is eligible to be included in the Fleet under section 53102(b) as a vessel that is constructed in the United States after the effective date of this chapter, if—

(i) (I) a binding contract for construction in the United States of a replacement vessel to be operated under the operating agreement is executed by not later than 9 months after the first date amounts are available to carry out this chapter; and

(II) the replacement vessel is eligible to be included in the Fleet under section 53102(b); or

(ii)(I) not later than 9 months after the first date amounts are available to carry out this chapter, the operator of the existing tank vessel enters into an agreement to charter one or more tank vessels to be built in the United States and operated as a documented vessel or documented vessels;

(II) the combined tonnage of the vessels required to be chartered under subclause (I) is equal to or greater than the tonnage of the existing tank vessel subject to an operating agreement;

(III) the operator enters into an agreement with the Secretary that is substantially the same as an Emergency Preparedness Agreement under section 53107 of this title, under which the operator shall make available commercial transportation resources as provided in that section;

(IV) if the person that is the owner or operator of the existing tank vessel owns or operates more than one existing tank vessel subject to an operating agreement, the combined tonnage of those vessels required to be chartered under subclause (I) by that person is equal to or greater than the combined tonnage of all such existing tank vessels owned or operated by such person that are subject to operating agreements.

(B) No payment under this chapter may be made for an existing tank vessel with respect to which a binding contract is entered into under subparagraph (A)(i) for which an operating agreement is awarded under this paragraph after the earlier of—

(i) 4 years after the first date amounts are available to carry out this chapter; or

(ii) the date of delivery of the replacement tank vessel.

(C) For purpose of subparagraph (A)(ii), tonnage shall be measured under section 14502 of this title, or an alternate tonnage measured under section 14302 of this title as prescribed by the Secretary under section 14104 of this title.

(D) No payment under this chapter may be made for an existing tank vessel with respect to which an agreement is entered into under subparagraph (A)(ii) for any period occurring—

(i) after the date that is 5 years after the first date that amounts became available to carry out this chapter, if the vessel or vessels required to be chartered under subparagraph (A)(ii) have not been delivered; or

(ii) after delivery of the vessel or vessels required to be chartered under such subparagraph, if any of such vessels is not chartered by the operator of the existing tank vessel.

(d) LIMITATION.—The Secretary may not award operating agreements under this chapter that require payments under section 53106 for a fiscal year for more than 60 vessels.

(Added Pub. L. 108–136, div. C, title XXXV, § 3531(a), Nov. 24, 2003, 117 Stat. 1808; amended Pub. L. 109–304, § 13(a)(2), Oct. 6, 2006, 120 Stat. 1700; Pub. L. 109–364, div. C, title XXXV, § 3502(b)(1), Oct. 17, 2006, 120 Stat. 2515.)

REFERENCES IN TEXT

The effective date of this chapter, referred to in secs. (b)(1), (c)(1)(A)(i), (2)(A), (4)(A), is Oct. 1, 2004, see

section 3537(a) of Pub. L. 108–136, set out as an Effective Date note under section 53101 of this title.

AMENDMENTS

2006—Subsec. (c)(1). Pub. L. 109–304, § 13(a)(2)(A)–(C), substituted “section 50501 of this title” for “section 2 of the Shipping Act, 1916 (46 U.S.C. App. 802)” in subpars. (A)(iii) and (C)(i) and (ii), “applying subparagraph” for “applying subparagraphs” in subpar. (B), and “section 50501” for “section 2” in subpar. (C) heading.

Subsec. (c)(3)(B). Pub. L. 109–304, § 13(a)(2)(D), substituted “agreements” for “agreement”.

Subsec. (c)(4)(A). Pub. L. 109–364, § 3502(b)(1)(A)–(D), redesignated cls. (i) and (ii) as cl. (i), subcls. (I) and (II), respectively, in subcl. (II) substituted “; or” for period at end, and added cl. (ii).

Subsec. (c)(4)(B). Pub. L. 109–364, § 3502(b)(1)(E), inserted “with respect to which a binding contract is entered into under subparagraph (A)(i)” after “existing tank vessel”.

Subsec. (c)(4)(C), (D). Pub. L. 109–364, § 3502(b)(1)(F), added subpars. (C) and (D).

§ 53104. Effectiveness of operating agreements

(a) EFFECTIVENESS, GENERALLY.—The Secretary may enter into an operating agreement under this chapter for fiscal year 2006. Except as provided in subsection (b), the agreement shall be effective only for 1 fiscal year, but shall be renewable, subject to the availability of appropriations, for each subsequent fiscal year through the end of fiscal year 2015.

(b) VESSELS UNDER CHARTER TO UNITED STATES.—Unless an earlier date is requested by the applicant, the effective date for an operating agreement with respect to a vessel that is, on the date of entry into an operating agreement, on charter to the United States Government, other than a charter pursuant to an Emergency Preparedness Agreement under section 53107, shall be the expiration or termination date of the Government charter covering the vessel, or any earlier date the vessel is withdrawn from that charter.

(c) TERMINATION.—

(1) TERMINATION BY SECRETARY.—If the contractor with respect to an operating agreement materially fails to comply with the terms of the agreement—

(A) the Secretary shall notify the contractor and provide a reasonable opportunity to comply with the operating agreement;

(B) the Secretary shall terminate the operating agreement if the contractor fails to achieve such compliance; and

(C) upon such termination, any funds obligated by the agreement shall be available to the Secretary to carry out this chapter.

(2) EARLY TERMINATION BY CONTRACTOR, GENERALLY.—An operating agreement under this chapter shall terminate on a date specified by the contractor if the contractor notifies the Secretary, by not later than 60 days before the effective date of the termination, that the contractor intends to terminate the agreement.

(3) EARLY TERMINATION BY CONTRACTOR, WITH AVAILABLE REPLACEMENT.—An operating agreement under this chapter shall terminate upon the expiration of the 3-year period beginning on the date a vessel begins operating under the agreement, if—

(A) the contractor notifies the Secretary, by not later than 2 years after the date the vessel begins operating under the agreement, that the contractor intends to terminate the agreement under this paragraph; and

(B) the Secretary, in conjunction with the Secretary of Defense, determines that—

(i) an application for an operating agreement under this chapter has been received for a replacement vessel that is acceptable to the Secretaries; and

(ii) during the period of an operating agreement under this chapter that applies to the replacement vessel, the replacement vessel will be—

(I) owned and operated by one or more persons that are citizens of the United States under section 50501 of this title; or

(II) owned by a person that is eligible to document the vessel under chapter 121 of this title, and operated by a person that is a citizen of the United States under section 50501 of this title.

(d) **NONRENEWAL FOR LACK OF FUNDS.**—If, by the first day of a fiscal year, sufficient funds have not been appropriated under the authority provided by this chapter for that fiscal year, then the Secretary shall notify the Committee on Armed Services and the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Armed Services of the House of Representatives that operating agreements authorized under this chapter for which sufficient funds are not available will not be renewed for that fiscal year if sufficient funds are not appropriated by the 60th day of that fiscal year.

(e) **RELEASE OF VESSELS FROM OBLIGATIONS.**—If an operating agreement under this chapter is terminated under subsection (c)(3), or if funds are not appropriated for payments under an operating agreement under this chapter for any fiscal year by the 60th day of that fiscal year, then—

(1) each vessel covered by the operating agreement is thereby released from any further obligation under the operating agreement;

(2) the owner or operator of the vessel may transfer and register such vessel under a foreign registry that is acceptable to the Secretary of Transportation and the Secretary of Defense, notwithstanding section 56101 of this title; and

(3) if chapter 563 of this title is applicable to such vessel after registration of the vessel under such a registry, then the vessel is available to be requisitioned by the Secretary of Transportation pursuant to chapter 563.

(Added Pub. L. 108–136, div. C, title XXXV, § 3531(a), Nov. 24, 2003, 117 Stat. 1810; amended Pub. L. 109–304, § 13(a)(3), Oct. 6, 2006, 120 Stat. 1701.)

AMENDMENTS

2006—Subsec. (c)(3)(B)(ii). Pub. L. 109–304, § 13(a)(3)(A), substituted “section 50501 of this title” for “section 2 of the Shipping Act, 1916 (46 U.S.C. App. 802)” in subcls. (I) and (II).

Subsec. (e)(2). Pub. L. 109–304, § 13(a)(3)(B), substituted “section 56101 of this title” for “section 9 of the Shipping Act, 1916 (46 U.S.C. App. 808)”.

Subsec. (e)(3). Pub. L. 109–304, § 13(a)(3)(C), substituted “chapter 563 of this title” and “chapter 563” for “section 902 of the Merchant Marine Act, 1936 (46 U.S.C. App. 1242)” and “section 902 of such Act”, respectively.

§ 53105. Obligations and rights under operating agreements

(a) **OPERATION OF VESSEL.**—An operating agreement under this chapter shall require that, during the period a vessel is operating under the agreement—

(1) the vessel—

(A) shall be operated exclusively in the foreign commerce or in mixed foreign commerce and domestic trade allowed under a registry endorsement issued under section 12111 of this title; and

(B) shall not otherwise be operated in the coastwise trade; and

(2) the vessel shall be documented under chapter 121 of this title.

(b) **ANNUAL PAYMENTS BY SECRETARY.**—

(1) **IN GENERAL.**—An operating agreement under this chapter shall require, subject to the availability of appropriations, that the Secretary make a payment each fiscal year to the contractor in accordance with section 53106.

(2) **OPERATING AGREEMENT IS OBLIGATION OF UNITED STATES GOVERNMENT.**—An operating agreement under this chapter constitutes a contractual obligation of the United States Government to pay the amounts provided for in the agreement to the extent of actual appropriations.

(c) **DOCUMENTATION REQUIREMENT.**—Each vessel covered by an operating agreement (including an agreement terminated under section 53104(c)(2)) shall remain documented under chapter 121 of this title, until the date the operating agreement would terminate according to its terms.

(d) **NATIONAL SECURITY REQUIREMENTS.**—

(1) **IN GENERAL.**—A contractor with respect to an operating agreement (including an agreement terminated under section 53104(c)(2)) shall continue to be bound by the provisions of section 53107 until the date the operating agreement would terminate according to its terms.

(2) **EMERGENCY PREPAREDNESS AGREEMENT.**—All terms and conditions of an Emergency Preparedness Agreement entered into under section 53107 shall remain in effect until the date the operating agreement would terminate according to its terms, except that the terms of such Emergency Preparedness Agreement may be modified by the mutual consent of the contractor, the Secretary of Transportation, and the Secretary of Defense.

(e) **TRANSFER OF OPERATING AGREEMENTS.**—

(1) **IN GENERAL.**—A contractor under an operating agreement may transfer the agreement (including all rights and obligations under the agreement) to any person that is eligible to enter into that operating agreement under this chapter, if the transfer is approved by the Secretary and the Secretary of Defense.

(2) **LIMITATION.**—The Secretary of Defense may not approve under paragraph (1) transfer of an operating agreement to a person that is not a citizen of the United States under section 2 of the Shipping Act, 1916 (46 U.S.C. App. 802),¹ unless the Secretary of Defense determines that there is no person who is a citizen under such section and is interested in obtaining the operating agreement for a vessel that is otherwise eligible to be included in the Fleet under section 53102(b) and meets the requirements of the Department of Defense.

(f) **REPLACEMENT VESSEL.**—A contractor may replace a vessel under an operating agreement with another vessel that is eligible to be included in the Fleet under section 53102(b), if the Secretary, in conjunction with the Secretary of Defense, approves replacement of the vessel.

(Added Pub. L. 108–136, div. C, title XXXV, §3531(a), Nov. 24, 2003, 117 Stat. 1812; amended Pub. L. 109–304, §13(a)(4), Oct. 6, 2006, 120 Stat. 1701; Pub. L. 109–364, div. C, title XXXV, §3502(a), Oct. 17, 2006, 120 Stat. 2514.)

REFERENCES IN TEXT

Section 2 of the Shipping Act, 1916, referred to in subsec. (e)(2), is section 2 of act Sept. 7, 1916, ch. 451, 39 Stat. 728, which was classified to sections 802 and 803 of former Title 46, Appendix, Shipping, and was repealed and restated in sections 50501 and 50502 of this title by Pub. L. 109–304, §§8(b), 19, Oct. 6, 2006, 120 Stat. 1556, 1710. For disposition of sections of former Title 46, Appendix, to this title, see Disposition Table preceding section 101 of this title.

AMENDMENTS

2006—Subsec. (a)(1)(A). Pub. L. 109–304, §13(a)(4)(A), substituted “section 12111” for “section 12105”.

Subsec. (e). Pub. L. 109–364 designated existing provisions as par. (1), inserted heading and aligned margins in par. (1), and added par. (2).

Subsec. (f). Pub. L. 109–304, §13(a)(4)(B), substituted “approves” for “approve”.

§ 53106. Payments

(a) **ANNUAL PAYMENT.**—

(1) **IN GENERAL.**—The Secretary, subject to the availability of appropriations and the other provisions of this section, shall pay to the contractor for an operating agreement, for each vessel that is covered by the operating agreement, an amount equal to—

(A) \$2,600,000 for each of fiscal years 2006, 2007, and 2008;

(B) \$2,900,000, for each of fiscal years 2009, 2010, and 2011; and

(C) \$3,100,000 for each fiscal years 2012, 2013, 2014, and 2015.

(2) **TIMING.**—The amount shall be paid in equal monthly installments at the end of each month. The amount shall not be reduced except as provided by this section.

(b) **CERTIFICATION REQUIRED FOR PAYMENT.**—As a condition of receiving payment under this section for a fiscal year for a vessel, the contractor for the vessel shall certify, in accordance with regulations issued by the Secretary, that the vessel has been and will be operated in accordance with section 53105(a)(1) for at least 320 days

in the fiscal year. Days during which the vessel is drydocked, surveyed, inspected, or repaired shall be considered days of operation for purposes of this subsection.

(c) **GENERAL LIMITATIONS.**—The Secretary of Transportation shall not make any payment under this chapter for a vessel with respect to any days for which the vessel is—

(1) under a charter to the United States Government, other than a charter pursuant to an Emergency Preparedness Agreement under section 53107;

(2) not operated or maintained in accordance with an operating agreement under this chapter; or

(3) more than—

(A) 25 years of age, except as provided in subparagraph (B) or (C);

(B) 20 years of age, in the case of a tank vessel; or

(C) 30 years of age, in the case of a LASH vessel.

(d) **REDUCTIONS IN PAYMENTS.**—With respect to payments under this chapter for a vessel covered by an operating agreement, the Secretary—

(1) except as provided in paragraph (2), shall not reduce any payment for the operation of the vessel to carry military or other preference cargoes under section 55302(a), 55304, 55305, or 55314 of this title, section 2631 of title 10, or any other cargo preference law of the United States;

(2) shall not make any payment for any day that the vessel is engaged in transporting more than 7,500 tons of civilian bulk preference cargoes pursuant to section 55302(a), 55305, or 55314 of this title that is bulk cargo; and

(3) shall make a pro rata reduction in payment for each day less than 320 in a fiscal year that the vessel is not operated in accordance with section 53105(a)(1), with days during which the vessel is drydocked or undergoing survey, inspection, or repair considered to be days on which the vessel is operated.

(e) **LIMITATION REGARDING NONCONTIGUOUS DOMESTIC TRADE.**—

(1) **IN GENERAL.**—No contractor shall receive payments pursuant to this chapter during a period in which it participates in noncontiguous domestic trade.

(2) **LIMITATION ON APPLICATION.**—Paragraph (1) shall not apply to any person that is a citizen of the United States within the meaning of section 50501 of this title, applying the 75 percent ownership requirement of that section.

(3) **PARTICIPATES IN A NONCONTIGUOUS DOMESTIC TRADE DEFINED.**—In this subsection the term “participates in a noncontiguous domestic trade” means directly or indirectly owns, charters, or operates a vessel engaged in transportation of cargo between a point in the contiguous 48 States and a point in Alaska, Hawaii, or Puerto Rico, other than a point in Alaska north of the Arctic Circle.

(f) **PRIORITY IN ALLOCATION OF AVAILABLE AMOUNTS.**—If the amount available for a fiscal year for making payments under operating agreements under this chapter is not sufficient to pay the full amount authorized under each

¹ See References in Text note below.

agreement pursuant to this section for such fiscal year, the amount available shall be allocated among such agreements in a manner that gives priority to payments for vessels that are subject to agreements under section 3517 of the Maritime Security Act of 2003 (46 U.S.C. 53101 note).

(Added Pub. L. 108-136, div. C, title XXXV, §3531(a), Nov. 24, 2003, 117 Stat. 1813; amended Pub. L. 109-304, §13(a)(5), Oct. 6, 2006, 120 Stat. 1701; Pub. L. 109-364, div. C, title XXXV, §3502(c), Oct. 17, 2006, 120 Stat. 2516.)

REFERENCES IN TEXT

Section 3517 of the Maritime Security Act of 2003, referred to in subsec. (f), is section 3517 of Pub. L. 108-136, which is set out as a note under section 53101 of this title.

AMENDMENTS

2006—Subsec. (d)(1). Pub. L. 109-304, §13(a)(5)(A), substituted “section 55302(a), 55304, 55305, or 55314 of this title, section 2631 of title 10” for “section 2631 of title 10, United States Code, the Act of March 26, 1934 (46 U.S.C. App. 1241-1), section 901(a), 901(b), or 901b of the Merchant Marine Act, 1936 (46 U.S.C. App. 1241(a), 1241(b), or 1241f)”.

Subsec. (d)(2). Pub. L. 109-304, §13(a)(5)(B), substituted “section 55302(a), 55305, or 55314 of this title” for “section 901(a), 901(b), or 901b of the Merchant Marine Act, 1936 (46 U.S.C. App. 1241(a), 1241(b), or 1241f)”.

Subsec. (e)(2). Pub. L. 109-304, §13(a)(5)(C), substituted “section 50501 of this title, applying the 75 percent ownership requirement of that section” for “section 2(c) of the Shipping Act, 1916 (46 U.S.C. App. 802(c))”.

Subsec. (f). Pub. L. 109-364 added subsec. (f).

§ 53107. National security requirements

(a) **EMERGENCY PREPAREDNESS AGREEMENT REQUIRED.**—The Secretary shall establish an Emergency Preparedness Program under this section that is approved by the Secretary of Defense. Under the program, the Secretary, in conjunction with the Secretary of Defense, shall include in each operating agreement under this chapter a requirement that the contractor enter into an Emergency Preparedness Agreement under this section with the Secretary. The Secretary shall negotiate and enter into an Emergency Preparedness Agreement with each contractor as promptly as practicable after the contractor has entered into an operating agreement under this chapter.

(b) **TERMS OF AGREEMENT.**—

(1) **IN GENERAL.**—An Emergency Preparedness Agreement under this section shall require that upon a request by the Secretary of Defense during time of war or national emergency, or whenever determined by the Secretary of Defense to be necessary for national security or contingency operation (as that term is defined in section 101 of title 10, United States Code), a contractor for a vessel covered by an operating agreement under this chapter shall make available commercial transportation resources (including services).

(2) **BASIC TERMS.**—(A) The basic terms of the Emergency Preparedness Agreement shall be established (subject to subparagraph (B)) by the Secretary and the Secretary of Defense.

(B) In any Emergency Preparedness Agreement, the Secretary and a contractor may agree to additional or modifying terms appro-

priate to the contractor's circumstances if those terms have been approved by the Secretary of Defense.

(c) **PARTICIPATION AFTER EXPIRATION OF OPERATING AGREEMENT.**—Except as provided by section 53105(d), the Secretary may not require, through an Emergency Preparedness Agreement or operating agreement, that a contractor continue to participate in an Emergency Preparedness Agreement after the operating agreement with the contractor has expired according to its terms or is otherwise no longer in effect. After expiration of an Emergency Preparedness Agreement, a contractor may volunteer to continue to participate in such an agreement.

(d) **RESOURCES MADE AVAILABLE.**—The commercial transportation resources to be made available under an Emergency Preparedness Agreement shall include vessels or capacity in vessels, intermodal systems and equipment, terminal facilities, intermodal and management services, and other related services, or any agreed portion of such nonvessel resources for activation as the Secretary of Defense may determine to be necessary, seeking to minimize disruption of the contractor's service to commercial shippers.

(e) **COMPENSATION.**—

(1) **IN GENERAL.**—The Secretary shall include in each Emergency Preparedness Agreement provisions approved by the Secretary of Defense under which the Secretary of Defense shall pay fair and reasonable compensation for all commercial transportation resources provided pursuant to this section.

(2) **SPECIFIC REQUIREMENTS.**—Compensation under this subsection—

(A) shall not be less than the contractor's commercial market charges for like transportation resources;

(B) shall be fair and reasonable considering all circumstances;

(C) shall be provided from the time that a vessel or resource is required by the Secretary of Defense until the time that it is redelivered to the contractor and is available to reenter commercial service; and

(D) shall be in addition to and shall not in any way reflect amounts payable under section 53106.

(f) **TEMPORARY REPLACEMENT VESSELS.**—Notwithstanding section 55302(a), 55304, 55305, or 55314 of this title, section 2631 of title 10, or any other cargo preference law of the United States—

(1) a contractor may operate or employ in foreign commerce a foreign-flag vessel or foreign-flag vessel capacity as a temporary replacement for a United States-documented vessel or United States-documented vessel capacity that is activated by the Secretary of Defense under an Emergency Preparedness Agreement or under a primary Department of Defense-approved sealift readiness program; and

(2) such replacement vessel or vessel capacity shall be eligible during the replacement period to transport preference cargoes subject to sections 55302(a), 55304, 55305, and 55314 of this title and section 2631 of title 10 to the

same extent as the eligibility of the vessel or vessel capacity replaced.

(g) REDELIVERY AND LIABILITY OF UNITED STATES FOR DAMAGES.—

(1) IN GENERAL.—All commercial transportation resources activated under an Emergency Preparedness Agreement shall, upon termination of the period of activation, be redelivered to the contractor in the same good order and condition as when received, less ordinary wear and tear, or the Secretary of Defense shall fully compensate the contractor for any necessary repair or replacement.

(2) LIMITATION ON LIABILITY OF U.S.—Except as may be expressly agreed to in an Emergency Preparedness Agreement, or as otherwise provided by law, the Government shall not be liable for disruption of a contractor's commercial business or other consequential damages to a contractor arising from activation of commercial transportation resources under an Emergency Preparedness Agreement.

(Added Pub. L. 108-136, div. C, title XXXV, § 3531(a), Nov. 24, 2003, 117 Stat. 1814; amended Pub. L. 109-304, § 13(a)(6), Oct. 6, 2006, 120 Stat. 1701.)

AMENDMENTS

2006—Subsec. (f). Pub. L. 109-304 substituted “section 55302(a), 55304, 55305, or 55314 of this title, section 2631 of title 10” for “section 2631 of title 10, United States Code, the Act of March 26, 1934 (46 U.S.C. App. 1241-1), section 901(a), 901(b), or 901b of the Merchant Marine Act, 1936 (46 U.S.C. App. 1241(a), 1241(b), or 1241f)” in introductory provisions and “sections 55302(a), 55304, 55305, and 55314 of this title and section 2631 of title 10” for “section 2631 of title 10, United States Code, the Act of March 26, 1934 (46 U.S.C. App. 1241-1), and sections 901(a), 901(b), and 901b of the Merchant Marine Act, 1936 (46 U.S.C. App. 1241(a), 1241(b), and 1241b)” in par. (2).

§ 53108. Regulatory relief

(a) OPERATION IN FOREIGN COMMERCE.—A contractor for a vessel included in an operating agreement under this chapter may operate the vessel in the foreign commerce of the United States without restriction.

(b) OTHER RESTRICTIONS.—The restrictions of section 55305(a) of this title concerning the building, rebuilding, or documentation of a vessel in a foreign country shall not apply to a vessel for any day the operator of that vessel is receiving payments for operation of that vessel under an operating agreement under this chapter.

(c) TELECOMMUNICATIONS EQUIPMENT.—The telecommunications and other electronic equipment on an existing vessel that is redocumented under the laws of the United States for operation under an operating agreement under this chapter shall be deemed to satisfy all Federal Communications Commission equipment certification requirements, if—

(1) such equipment complies with all applicable international agreements and associated guidelines as determined by the country in which the vessel was documented immediately before becoming documented under the laws of the United States;

(2) that country has not been identified by the Secretary as inadequately enforcing international regulations as to that vessel; and

(3) at the end of its useful life, such equipment will be replaced with equipment that meets Federal Communications Commission equipment certification standards.

(Added Pub. L. 108-136, div. C, title XXXV, § 3531(a), Nov. 24, 2003, 117 Stat. 1816; amended Pub. L. 109-304, § 13(a)(7), Oct. 6, 2006, 120 Stat. 1701.)

AMENDMENTS

2006—Subsec. (b). Pub. L. 109-304 substituted “section 55305(a) of this title” for “section 901(b)(1) of the Merchant Marine Act, 1936 (46 U.S.C. App. 1241(b)(1))”.

§ 53109. Special rule regarding age of participating fleet vessel

Any age restriction under section 53102(b)(3) or 53106(c)(3) shall not apply to a participating fleet vessel during the 30-month period beginning on the date the vessel begins operating under an operating agreement under this title, if the Secretary determines that the contractor for the vessel has entered into an arrangement to obtain and operate under the operating agreement for the participating fleet vessel a replacement vessel that, upon commencement of such operation, will be eligible to be included in the Fleet under section 53102(b).

(Added Pub. L. 108-136, div. C, title XXXV, § 3531(a), Nov. 24, 2003, 117 Stat. 1817.)

§ 53110. Regulations

The Secretary and the Secretary of Defense may each prescribe rules as necessary to carry out their respective responsibilities under this chapter.

(Added Pub. L. 108-136, div. C, title XXXV, § 3531(a), Nov. 24, 2003, 117 Stat. 1817.)

INTERIM RULES

Pub. L. 108-136, div. C, title XXXV, § 3533, Nov. 24, 2003, 117 Stat. 1818, provided that: “The Secretary of Transportation and the Secretary of Defense may each prescribe interim rules necessary to carry out their respective responsibilities under this subtitle [subtitle C (§§ 3531-3537) of title XXXV of div. C of Pub. L. 108-136, enacting this chapter, amending former section 12102 of this title and sections 808 and 1162 of the former Appendix to this title, repealing sections 1187 to 1187e and 1222 of the former Appendix to this title, enacting provisions set out as a note under section 53101 of this title, and amending provisions set out as a note under section 1187 of the former Appendix to this title] and the amendments made by this subtitle. For this purpose, the Secretaries are excepted from compliance with the notice and comment requirements of section 553 of title 5, United States Code. All interim rules prescribed under the authority of this section that are not earlier superseded by final rules shall expire no later than 270 days after the effective date of this subtitle [see Effective Date note set out under section 53101 of this title].”

§ 53111. Authorization of appropriations

There are authorized to be appropriated for payments under section 53106, to remain available until expended—

(1) \$156,000,000 for each of fiscal years 2006, 2007, and 2008;

(2) \$174,000,000 for each of fiscal years 2009, 2010, and 2011; and

(3) \$186,000,000 for each fiscal year thereafter through fiscal year 2015.

(Added Pub. L. 108-136, div. C, title XXXV, § 3531(a), Nov. 24, 2003, 117 Stat. 1817.)

CHAPTER 533—CONSTRUCTION RESERVE FUNDS

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53301.	Definitions.
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§ 53301. Definitions

(a) IN GENERAL.—In this chapter:

(1) CONSTRUCTION CONTRACT.—The term “construction contract” includes, for a taxpayer constructing a new vessel in a shipyard owned by that taxpayer, an agreement between the taxpayer and the Secretary of Transportation for that construction containing provisions the Secretary considers advisable to carry out this chapter.

(2) NEW VESSEL.—The term “new vessel” means—

(A) a vessel—

(i) constructed in the United States after December 31, 1939, constructed with a construction-differential subsidy under title V of the Merchant Marine Act, 1936, or constructed with financing or a financing guarantee under chapter 537 or 575 of this title;

(ii) documented or agreed with the Secretary to be documented under the laws of the United States; and

(iii)(I) of a type, size, and speed that the Secretary determines is suitable for use on the high seas or Great Lakes in carrying out this subtitle, but not less than 2,000 gross tons or less than 12 knots speed unless the Secretary certifies in each case that a vessel of lesser tonnage or speed is desirable for use by the United States Government in case of war or national emergency; or

(II) constructed to replace a vessel bought or requisitioned by the Government; and

(B) a vessel reconstructed or reconditioned for use only on the Great Lakes, including the Saint Lawrence River and Gulf, if the Secretary finds that the reconstruction or reconditioning will promote the objectives of this subtitle.

(b) ADDITIONAL TAX-RELATED TERMS.—Other terms used in this chapter have the same meaning as in chapter 1 of the Internal Revenue Code of 1986 (26 U.S.C. ch. 1).

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1587.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53301(a)(1) ..	46 App.:1161(n).	June 29, 1936, ch. 858, title V, § 511(n), as added Dec. 23, 1944, ch. 714, § 2, 58 Stat. 920; Pub. L. 97-31, § 12(92)(A), Aug. 6, 1981, 95 Stat. 161.
53301(a)(2)(A).	46 App.:1161(a).	June 29, 1936, ch. 858, title V, § 511(a), as added Oct. 10, 1940, ch. 849, 54 Stat. 1106; Pub. L. 97-31, § 12(92)(A), Aug. 6, 1981, 95 Stat. 161.
53301(a)(2)(B).	46 App.:1161(o).	June 29, 1936, ch. 858, title V, § 511(o), as added July 17, 1952, ch. 939, § 14, 66 Stat. 764; Pub. L. 97-31, § 12(92)(A), Aug. 6, 1981, 95 Stat. 161.
53301(b)	46 App.:1161(m).	June 29, 1936, ch. 858, title V, § 511(m), as added Oct. 10, 1940, ch. 849, 54 Stat. 1108.

In subsection (a)(2)(A)(i), the words “constructed with a construction-differential subsidy under title V of the Merchant Marine Act, 1936, or constructed with financing or a financing guarantee under chapter 537 or 575 of this title” are substituted for “the construction of which has been financed under subchapters V or VII of this chapter, or the construction of which has been aided by a mortgage insured under subchapter XI of this chapter” because of the reorganization of the material and the omission from the revised title of the provisions relating to the construction-differential subsidy program.

Subsection (a)(2)(B) is substituted for the source provision to state more directly that a vessel described in the source provision is a new vessel for purposes of this chapter.

REFERENCES IN TEXT

The Merchant Marine Act, 1936, referred to in subsection (a)(2)(A)(i), is act June 29, 1936, ch. 858, 49 Stat. 1985. Title V of the Act enacted provisions set out as notes under section 53101 of this title. For complete classification of this Act to the Code, see Short Title of 1936 Amendment note set out under section 101 of this title and Tables.

§ 53302. Authority for construction reserve funds

(a) GENERAL AUTHORITY.—An eligible person under section 53303 of this title may establish a construction reserve fund for the construction, reconstruction, reconditioning, or acquisition of a new vessel or for other purposes authorized by this chapter.

(b) APPLICATION OF CERTAIN LAWS AND REGULATIONS.—The fund shall be established, maintained, expended, and used as provided by this chapter and regulations prescribed jointly by the Secretary of Transportation and the Secretary of the Treasury.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1587.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53302(a)	46 App.:1161(b) (1st sentence words before 6th comma and between 10th and 16th commas).	June 29, 1936, ch. 858, title V, § 511(b) (1st sentence words before 6th comma and between 10th and 16th commas, last sentence), as added Oct. 10, 1940, ch. 849, 54 Stat. 1106; June 17, 1943, ch. 130, subd. (a), 57 Stat. 157; July 17, 1952, ch. 939, § 9, 66 Stat. 762; Pub. L. 97-31, § 12(92)(A), Aug. 6, 1981, 95 Stat. 161.
53302(b)	46 App.:1161(b) (last sentence).	

In subsection (a), the words “necessary to carrying out the policy set forth in section 1101 of this Appendix” are omitted as unnecessary.

§ 53303. Persons eligible to establish funds

A construction reserve fund may be established by a citizen of the United States that—

(1) is operating a vessel in the foreign or domestic commerce of the United States or in the fisheries;

(2) owns, in whole or in part, a vessel being operated in the foreign or domestic commerce of the United States or in the fisheries;

(3) was operating a vessel in the foreign or domestic commerce of the United States or in the fisheries when it was bought or requisitioned by the United States Government;

(4) owned, in whole or in part, a vessel being operated in the foreign or domestic commerce of the United States or in the fisheries when it was bought or requisitioned by the Government; or

(5) had acquired or was having constructed a vessel to operate in the foreign or domestic commerce of the United States or in the fisheries when it was bought or requisitioned by the Government.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1587.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53303	46 App.:1161(b) (1st sentence words between 6th and 10th commas).	June 29, 1936, ch. 858, title V, §511(b) (1st sentence words between 6th and 10th commas), as added Oct. 10, 1940, ch. 849, 54 Stat. 1106; June 17, 1943, ch. 130, subd. (a), 57 Stat. 157; July 17, 1952, ch. 939, §9, 66 Stat. 762.

§ 53304. Vessel ownership

In this chapter, a vessel is deemed to be constructed or acquired by a taxpayer if constructed or acquired by a corporation when the taxpayer owns at least 95 percent of each class of stock of the corporation.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1588.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53304	46 App.:1161(l).	June 29, 1936, ch. 858, title V, §511(l), as added Oct. 10, 1940, ch. 849, 54 Stat. 1108.

§ 53305. Eligible fund deposits

A construction reserve fund may include deposits of—

(1) the proceeds from the sale of a vessel;

(2) indemnities for the loss of a vessel;

(3) earnings from the operation of a documented vessel and from services incident to the operation; and

(4) interest or other amounts accrued on deposits in the fund.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1588.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53305	46 App.:1161(b) (1st sentence words after 16th comma).	June 29, 1936, ch. 858, title V, §511(b) (1st sentence words after 16th comma), as added Oct. 10, 1940, ch. 849, 54 Stat. 1106; June 17, 1943, ch. 130, subd. (a), 57 Stat. 157; July 17, 1952, ch. 939, §9, 66 Stat. 762.

In paragraph (3), the words “documented vessel” are substituted for “vessels documented under the laws of the United States” because of the definition of “documented vessel” in chapter 1 of the revised title.

In paragraph (4), the words “interest or other amounts accrued on deposits in the fund” are substituted for “receipts, in the form of interest or otherwise, with respect to amounts previously deposited” for clarity and to eliminate unnecessary words.

§ 53306. Recognition of gain for tax purposes

(a) DEFINITIONS.—In this section, the terms “net proceeds” and “net indemnity” mean the sum of—

(1) the adjusted basis of the vessel; and

(2) the amount of gain the taxpayer would recognize without regard to this section.

(b) RECOGNITION OF GAIN.—In computing net income under the income or excess profits tax laws of the United States, a taxpayer does not recognize a gain on the sale or the actual or constructive total loss of a vessel if the taxpayer—

(1) deposits an amount equal to the net proceeds of the sale or the net indemnity for the loss in a construction reserve fund within 60 days after receiving the payment of proceeds or indemnity; and

(2) elects under this section not to recognize the gain.

(c) WHEN ELECTION MUST BE MADE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the taxpayer must make the election referred to in subsection (b) in the taxpayer’s income tax return for the taxable year in which the gain was realized.

(2) RECEIPT AFTER TAXABLE YEAR.—If the vessel is bought or requisitioned by the United States Government, or is lost, and the taxpayer receives payment for the vessel or indemnity for the loss from the Government after the end of the taxable year in which it was bought, requisitioned, or lost, the taxpayer must make the election referred to in subsection (b) within 60 days after receiving the payment or indemnity, on a form prescribed by the Secretary of the Treasury.

(d) EFFECT OF STATUTE OF LIMITATION.—If the taxpayer makes an election under subsection (c)(2), and computation or recomputation under this section is otherwise allowable but is prevented by a statute of limitation on the date the election is made or within 6 months thereafter, the computation or recomputation nevertheless shall be made notwithstanding the statute if the taxpayer files a claim for the computation or recomputation within 6 months after the date of making the election.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1588.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53306	46 App.:1161(c).	June 29, 1936, ch. 858, title V, § 511(c), as added Oct. 10, 1940, ch. 849, 54 Stat. 1106; June 17, 1943, ch. 130, subdiv. (b), 57 Stat. 157; Dec. 23, 1944, ch. 714, § 1, 58 Stat. 920; July 17, 1952, ch. 939, § 10, 66 Stat. 762.

In subsection (c)(2), the words “in any taxable year beginning after December 31, 1939” are omitted as obsolete. The words “prescribed by the Secretary of the Treasury” are substituted for “prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury” for consistency in the revised title and with other titles of the United States Code. See 26 U.S.C. 7805.

§ 53307. Basis for determining gain or loss and for depreciating new vessels

Under the income or excess profits tax laws of the United States, the basis for determining a gain or loss and for depreciation of a new vessel constructed, reconstructed, reconditioned, or acquired by the taxpayer, or for which purchase-money indebtedness is liquidated as provided in section 53310 of this title, with amounts from a construction reserve fund, shall be reduced by that part of the deposits in the fund expended in the construction, reconstruction, reconditioning, acquisition, or liquidation of purchase-money indebtedness of the new vessel that represents a gain not recognized for tax purposes under section 53306 of this title.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1589.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53307	46 App.:1161(d).	June 29, 1936, ch. 858, title V, § 511(d), as added Oct. 10, 1940, ch. 849, 54 Stat. 1106; July 17, 1952, ch. 939, § 11, 66 Stat. 763.

§ 53308. Order and proportions of deposits and withdrawals

In this chapter—

(1) if the net proceeds of a sale or the net indemnity for a loss is deposited in more than one deposit, the amount consisting of the gain shall be deemed to be deposited first;

(2) amounts expended, obligated, or otherwise withdrawn shall be applied against the amounts deposited in the fund in the order of deposit; and

(3) if a deposit consists in part of a gain not recognized under section 53306 of this title, any expenditure, obligation, or withdrawal applied against that deposit shall be deemed to be a gain in the proportion that the part of the deposit consisting of a gain bears to the total amount of the deposit.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1589.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53308	46 App.:1161(e).	June 29, 1936, ch. 858, title V, § 511(e), as added Oct. 10, 1940, ch. 849, 54 Stat. 1107.

§ 53309. Accumulation of deposits

For any taxable year, amounts on deposit in a construction reserve fund on the last day of the taxable year, for which the requirements of section 53310 of this title have been satisfied (to the extent they apply on the last day of the taxable year), are deemed to have been retained for the reasonable needs of the business within the meaning of section 537(a) of the Internal Revenue Code of 1986 (26 U.S.C. 537(a)).

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1589.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53309	46 App.:1161(f).	June 29, 1936, ch. 858, title V, § 511(f), as added Oct. 10, 1940, ch. 849, 54 Stat. 1107.

The words “are deemed to have been retained for the reasonable needs of the business within the meaning of section 537(a) of the Internal Revenue Code of 1986 (26 U.S.C. 537(a))” are substituted for “shall not constitute an accumulation of earnings or profits within the meaning of section 102 of the Internal Revenue Code” because section 102 of the Internal Revenue Code of 1939 has been superseded by part 1 of subchapter G of chapter 1 of the Internal Revenue Code of 1986 (26 U.S.C. 531 et seq.). See also 46 C.F.R. § 287.16 (2003).

§ 53310. Obligation of deposits and period for construction of certain vessels

(a) APPLICATION OF SECTIONS 53306 AND 53309.—Sections 53306 and 53309 of this title apply to a deposit in a construction reserve fund only if, within 3 years after the date of the deposit (and any extension under subsection (c))—

(1)(A) a contract is made for the construction or acquisition of a new vessel or, with the approval of the Secretary of Transportation, for a part interest in a new vessel or for the reconstruction or reconditioning of a new vessel;

(B) the deposit is expended or obligated for expenditure under that contract;

(C) at least 12.5 percent of the construction or contract price of the vessel is paid or irrevocably committed for payment; and

(D) the plans and specifications for the vessel are approved by the Secretary to the extent the Secretary considers necessary; or

(2) the deposit is expended or obligated for expenditure for the liquidation of existing or subsequently incurred purchase-money indebtedness to a person not a parent company of, or a company affiliated or associated with, the mortgagor on a new vessel.

(b) ADDITIONAL REQUIREMENTS FOR CERTAIN VESSELS.—In addition to the requirements of subsection (a)(1), for a vessel not constructed under a construction-differential subsidy contract or not bought from the Secretary of Transportation—

(1) at least 5 percent of the construction (or, if the contract covers more than one vessel, at

least 5 percent of the construction of the first vessel) must be completed within 6 months after the date of the construction contract (or within the period of an extension under subsection (c)), as estimated by the Secretary and certified by the Secretary to the Secretary of the Treasury; and

(2) construction under the contract must be completed with reasonable dispatch thereafter.

(c) **EXTENSIONS.**—The Secretary of Transportation may grant extensions of the period within which the deposits must be expended or obligated or within which the construction must have progressed to the extent of 5 percent completion under this section. However, the extensions may not be for a total of more than 2 years for the expenditure or obligation of deposits or one year for the progress of construction.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1589.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53310(a)	46 App.:1161(g) (less (1)(B)).	June 29, 1936, ch. 858, title V, §511(g), (h), as added Oct. 10, 1940, ch. 849, 54 Stat. 1107; June 17, 1943, ch. 130, subdvs. (c), (d), 57 Stat. 158; July 17, 1952, ch. 939, §§12, 13(a), 66 Stat. 763; Pub. L. 86–237, §1, Sept. 8, 1959, 73 Stat. 471; Pub. L. 87–303, §3, Sept. 26, 1961, 75 Stat. 661; Pub. L. 87–782, §1, Oct. 10, 1962, 76 Stat. 796; Pub. L. 88–227, §1, Dec. 23, 1963, 77 Stat. 470; Pub. L. 88–595, §1, Sept. 12, 1964, 78 Stat. 943; Pub. L. 97–31, §12(92), Aug. 6, 1981, 95 Stat. 161.
53310(b)	46 App.:1161(g)(1)(B).	
53310(c)	46 App.:1161(h).	

In this section, the language about joint regulations in 46 App. U.S.C. 1161(g) and (h) is omitted as unnecessary because of section 53302(b) of the revised title.

In subsection (a), the words “(i) two years from the date of deposit or the date of any extension thereof which may be granted by the Secretary of Transportation pursuant to the provisions of subsection (h) of this section, in the case of deposits made prior to the date on which these amendatory provisions become effective, or” in 46 App. U.S.C. 1161(g)(1) and (2) are omitted as obsolete. In paragraph (1)(A), the words “or, with the approval of the Secretary of Transportation, for a part interest in a new vessel or for the reconstruction or reconditioning of a new vessel” are substituted for “(or in the discretion of the Secretary of Transportation, for a part interest therein), or, with the approval of the Secretary of Transportation, for the reconstruction or reconditioning of a new vessel or vessels” to eliminate unnecessary words.

In subsection (c), the proviso in 46 App. U.S.C. 1161(h) is omitted as obsolete.

§ 53311. Taxation of deposits on failure of conditions

A deposited gain, if otherwise taxable income under the law applicable to the taxable year in which the gain was realized, shall be included in gross income for that taxable year, except for purposes of the declared value excess profits tax and the capital stock tax, if—

(1) the deposited gain is not expended or obligated within the appropriate period under section 53310 of this title;

(2) the deposited gain is withdrawn before the end of that period;

(3) the construction related to that deposited gain has not progressed to the extent of 5 percent of completion within the appropriate period under section 53310 of this title; or

(4) the Secretary of Transportation finds and certifies to the Secretary of the Treasury that, for causes within the control of the taxpayer, the entire construction related to that deposited gain is not completed with reasonable dispatch.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1590.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53311	46 App.:1161(i).	June 29, 1936, ch. 858, title V, §511(i), as added Oct. 10, 1940, ch. 849, 54 Stat. 1107; July 17, 1952, ch. 939, §13(b), 66 Stat. 764; Pub. L. 97–31, §12(92)(A), Aug. 6, 1981, 95 Stat. 161.

The last sentence of 46 App. U.S.C. 1161(i) is omitted as obsolete.

§ 53312. Assessment and collection of deficiency tax

Notwithstanding any other provision of law, a deficiency in tax for a taxable year resulting from the inclusion of an amount in gross income as provided by section 53311 of this title, and the amount to be treated as a deficiency under section 53311 instead of as an adjustment for the declared value excess profits tax, may be assessed or a civil action may be brought to collect the deficiency without assessment, at any time. Interest on a deficiency or amount to be treated as a deficiency does not begin until the date the deposited gain or part of the deposited gain in question is required to be included in gross income under section 51111.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1590.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53312	46 App.:1161(j).	June 29, 1936, ch. 858, title V, §511(j), as added Oct. 10, 1940, ch. 849, 54 Stat. 1108.

CHAPTER 535—CAPITAL CONSTRUCTION FUNDS

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53502.	Establishing a capital construction fund.
53503.	Deposits and withdrawals.
53504.	Ceiling on deposits.
53505.	Investment and fiduciary requirements.
53506.	Nontaxation of deposits.
53507.	Separate accounts within a fund.
53508.	Qualified withdrawals.
53509.	Tax treatment of qualified withdrawals and basis of property.
53510.	Tax treatment of nonqualified withdrawals.
53511.	FIFO and LIFO withdrawals.
53512.	Corporate reorganizations and partnership changes.
53513.	Relationship of old fund to new fund.
53514.	Records and reports.
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- Sec.
53516. Termination of agreement after change in regulations.
53517. Reports.

§ 53501. Definitions

In this chapter:

(1) **AGREEMENT VESSEL.**—The term “agreement vessel” means—

(A) an eligible vessel or a qualified vessel that is subject to an agreement under this chapter; and

(B) a barge or container that is part of the complement of a vessel described in subparagraph (A) if provided for in the agreement.

(2) **ELIGIBLE VESSEL.**—The term “eligible vessel” means—

(A) a vessel—

(i) constructed in the United States (and, if reconstructed, reconstructed in the United States), constructed outside the United States but documented under the laws of the United States on April 15, 1970, or constructed outside the United States for use in the United States foreign trade pursuant to a contract made before April 15, 1970;

(ii) documented under the laws of the United States; and

(iii) operated in the foreign or domestic trade of the United States or in the fisheries of the United States; and

(B) a commercial fishing vessel—

(i) constructed in the United States and, if reconstructed, reconstructed in the United States;

(ii) of at least 2 net tons but less than 5 net tons;

(iii) owned by a citizen of the United States;

(iv) having its home port in the United States; and

(v) operated in the commercial fisheries of the United States.

(3) **JOINT REGULATIONS.**—The term “joint regulations” means regulations prescribed jointly by the Secretary and the Secretary of the Treasury under section 53502(b) of this title.

(4) **NONCONTIGUOUS TRADE.**—The term “non-contiguous trade” means—

(A) trade between—

(i) one of the contiguous 48 States; and

(ii) Alaska, Hawaii, Puerto Rico, or an insular territory or possession of the United States; and

(B) trade between—

(i) a place in Alaska, Hawaii, Puerto Rico, or an insular territory or possession of the United States; and

(ii) another place in Alaska, Hawaii, Puerto Rico, or an insular territory or possession of the United States.

(5) **QUALIFIED VESSEL.**—The term “qualified vessel” means—

(A) a vessel—

(i) constructed in the United States (and, if reconstructed, reconstructed in the United States), constructed outside the

United States but documented under the laws of the United States on April 15, 1970, or constructed outside the United States for use in the United States foreign trade pursuant to a contract made before April 15, 1970;

(ii) documented under the laws of the United States; and

(iii) agreed, between the Secretary and the person maintaining the capital construction fund established under section 53503 of this title, to be operated in the United States foreign, Great Lakes, non-contiguous domestic, or short sea transportation trade¹ or in the fisheries of the United States; and

(B) a commercial fishing vessel—

(i) constructed in the United States and, if reconstructed, reconstructed in the United States;

(ii) of at least 2 net tons but less than 5 net tons;

(iii) owned by a citizen of the United States;

(iv) having its home port in the United States; and

(v) operated in the commercial fisheries of the United States.

(6) **SECRETARY.**—The term “Secretary” means—

(A) the Secretary of Commerce with respect to an eligible vessel or a qualified vessel operated or to be operated in the fisheries of the United States; and

(B) the Secretary of Transportation with respect to other vessels.

(7)² **SHORT SEA TRANSPORTATION TRADE.**—The term “short sea transportation trade” means the carriage by vessel of cargo—

(A) that is—

(i) contained in intermodal cargo containers and loaded by crane on the vessel; or

(ii) loaded on the vessel by means of wheeled technology; and

(B) that is—

(i) loaded at a port in the United States and unloaded either at another port in the United States or at a port in Canada located in the Great Lakes Saint Lawrence Seaway System; or

(ii) loaded at a port in Canada located in the Great Lakes Saint Lawrence Seaway System and unloaded at a port in the United States.

(7)² **UNITED STATES FOREIGN TRADE.**—The term “United States foreign trade” includes those areas in domestic trade in which a vessel built with a construction-differential subsidy is allowed to operate under the first sentence of section 506 of the Merchant Marine Act, 1936.

(8) **VESSEL.**—The term “vessel” includes—

(A) cargo handling equipment that the Secretary determines is intended for use primarily on the vessel; and

¹ So in original.

² So in original. Two pars. (7) have been enacted.

(B) an ocean-going towing vessel, an ocean-going barge, or a comparable towing vessel or barge operated on the Great Lakes.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1591; Pub. L. 110–140, title XI, §1122(a), Dec. 19, 2007, 121 Stat. 1762.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53501(1)	46 App.:1177(b)(3), (k)(3).	June 29, 1936, ch. 858, title VI, §607(b)(3), (k)(1)–(3), (5)–(9), 49 Stat. 2005; June 23, 1938, ch. 600, §§23–28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17–19, 66 Stat. 764; Pub. L. 85–637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87–45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87–271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91–469, §21(a), Oct. 21, 1970, 84 Stat. 1027, 1031, 1032; Pub. L. 93–116, Oct. 1, 1973, 87 Stat. 421; Pub. L. 97–31, §12(97), Aug. 6, 1981, 95 Stat. 162.
53501(2)	46 App.:1177(k)(1). 46 App.:1177–1.	Pub. L. 94–455, title VIII, §807, Oct. 4, 1976, 90 Stat. 1606.
53501(3)	46 App.:1177(k)(6).	
53501(4)	46 App.:1177(k)(8).	
53501(5)	46 App.:1177(k)(1) (last sentence), (2).	
53501(6)	46 App.:1177–1.	
53501(7)	46 App.:1177(k)(9).	
53501(8)	46 App.:1177(k)(5).	
	46 App.:1177(k)(7).	

The codification of the laws in this chapter is not intended to alter the existing jurisdictional relationship of the Secretaries who administer those laws.

In paragraph (2)(A)(iii), the word “trade” is substituted for “commerce” for consistency in the chapter.

REFERENCES IN TEXT

Section 506 of the Merchant Marine Act, 1936, referred to in par. (7), is section 506 of act June 29, 1936, ch. 858, 49 Stat. 1985, which is set out as a note under section 53101 of this title.

AMENDMENTS

2007—Par. (5)(A)(iii). Pub. L. 110–140, §1122(a)(1), substituted “noncontiguous domestic, or short sea transportation trade” for “or noncontiguous domestic”.

Par. (7). Pub. L. 110–140, §1122(a)(2), added par. (7) relating to short sea transportation trade.

EFFECTIVE DATE OF 2007 AMENDMENT

Amendment by Pub. L. 110–140 effective on the date that is 1 day after Dec. 19, 2007, see section 1601 of Pub. L. 110–140, set out as an Effective Date note under section 1824 of Title 2, The Congress.

§ 53502. Regulations

(a) IN GENERAL.—Except as provided in subsection (b), the Secretary shall prescribe regulations to carry out this chapter.

(b) TAX LIABILITY.—The Secretary and the Secretary of the Treasury shall prescribe joint regulations for the determination of tax liability under this chapter.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1593.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53502	46 App.:1177(l) (2d sentence).	June 29, 1936, ch. 858, title VI, §607(l) (2d sentence), 49 Stat. 2005; June 23, 1938, ch. 600, §§23–28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17–19, 66 Stat. 764; Pub. L. 85–637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87–45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87–271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91–469, §21(a), Oct. 21, 1970, 84 Stat. 1027, 1031, 1032; Pub. L. 97–31, §12(97)(A), Aug. 6, 1981, 95 Stat. 162.

Subsection (a) is added for clarity because various provisions of the source language for this chapter imply that the Secretary is to prescribe regulations individually (except for regulations affecting a determination of tax liability). See, e.g., 46 App. U.S.C. 1177(a) (last sentence), (f)(1) (last sentence), and (l) (last sentence).

In subsection (b), the words “not inconsistent with the foregoing provisions of this section, as may be necessary or appropriate” are omitted as surplus.

§ 53503. Establishing a capital construction fund

(a) IN GENERAL.—A citizen of the United States owning or leasing an eligible vessel may make an agreement with the Secretary under this chapter to establish a capital construction fund for the vessel.

(b) ALLOWABLE PURPOSE.—The purpose of the agreement shall be to provide replacement vessels, additional vessels, or reconstructed vessels, built in the United States and documented under the laws of the United States, for operation in the United States foreign, Great Lakes, noncontiguous domestic, or short sea transportation trade or in the fisheries of the United States.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1593; Pub. L. 110–140, title XI, §1122(b), Dec. 19, 2007, 121 Stat. 1762.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53503(a)	46 App.:1177(a) (1st sentence).	June 29, 1936, ch. 858, title VI, §607(a) (1st sentence), (2d sentence related to purpose), 49 Stat. 2005; June 23, 1938, ch. 600, §§23–28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17–19, 66 Stat. 764; Pub. L. 85–637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87–45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87–271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91–469, §21(a), Oct. 21, 1970, 84 Stat. 1026; Pub. L. 97–31, §12(97)(A), Aug. 6, 1981, 95 Stat. 162.
53503(b)	46 App.:1177(a) (2d sentence related to purpose).	

AMENDMENTS

2007—Subsec. (b). Pub. L. 110–140 substituted “noncontiguous domestic, or short sea transportation trade” for “or noncontiguous domestic trade”.

EFFECTIVE DATE OF 2007 AMENDMENT

Amendment by Pub. L. 110-140 effective on the date that is 1 day after Dec. 19, 2007, see section 1601 of Pub. L. 110-140, set out as an Effective Date note under section 1824 of Title 2, The Congress.

§ 53504. Deposits and withdrawals

(a) **REQUIRED DEPOSITS.**—An agreement to establish a capital construction fund shall provide for the deposit in the fund of the amounts agreed to be appropriate to provide for qualified withdrawals under section 53509 of this title.

(b) **APPLICABLE REQUIREMENTS.**—Deposits in and withdrawals from the fund are subject to the requirements included in the agreement or prescribed by the Secretary by regulation. However, the Secretary may not require a person to deposit in the fund for a taxable year more than 50 percent of that portion of the person's taxable income for that year (as determined under section 53505(a)(1) of this title) that is attributable to the operation of an agreement vessel.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1593.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53504(a)	46 App.:1177(a) (2d sentence related to deposits).	June 29, 1936, ch. 858, title VI, §607(a) (2d sentence related to deposits), (last sentence), 49 Stat. 2005; June 23, 1938, ch. 600, §§23-28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17-19, 66 Stat. 764; Pub. L. 85-637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87-45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87-271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91-469, §21(a), Oct. 21, 1970, 84 Stat. 1026; Pub. L. 97-31, §12(97)(A), Aug. 6, 1981, 95 Stat. 162.
53504(b)	46 App.:1177(a) (last sentence).	

In subsection (a), the words “agreed to be appropriate” are substituted for “agreed upon as necessary or appropriate” to eliminate unnecessary words.

§ 53505. Ceiling on deposits

(a) **MAXIMUM DEPOSITS.**—The amount deposited in a capital construction fund for a taxable year may not exceed the sum of—

(1) that portion of the taxable income of the owner or lessee for the taxable year (computed under chapter 1 of the Internal Revenue Code of 1986 (26 U.S.C. ch. 1) but without regard to the carryback of net operating loss or net capital loss or this chapter) that is attributable to the operation of agreement vessels in the foreign or domestic trade of the United States or in the fisheries of the United States;

(2) the amount allowable as a deduction under section 167 of such Code (26 U.S.C. 167) for the taxable year for agreement vessels;

(3) if the transaction is not taken into account for purposes of paragraph (1), the net proceeds (as defined in joint regulations) from the disposition of an agreement vessel or from insurance or indemnity attributable to an agreement vessel; and

(4) the receipts from the investment or reinvestment of amounts held in the fund.

(b) **REDUCTIONS FOR LESSEES.**—For a lessee, the maximum amount that may be deposited for an agreement vessel under subsection (a)(2) for any period shall be reduced by any amount the owner is required or permitted, under the capital construction fund agreement, to deposit for that period for the vessel under subsection (a)(2).

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1593.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53505	46 App.:1177(b)(1), (2).	June 29, 1936, ch. 858, title VI, §607(b)(1), (2), 49 Stat. 2005; June 23, 1938, ch. 600, §§23-28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17-19, 66 Stat. 764; Pub. L. 85-637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87-45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87-271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91-469, §21(a), Oct. 21, 1970, 84 Stat. 1027.

In subsection (a)(1), the word “trade” is substituted for “commerce” for consistency in the chapter.

§ 53506. Investment and fiduciary requirements

(a) **IN GENERAL.**—Amounts in a capital construction fund shall be kept in the depository specified in the agreement and shall be subject to trustee and other fiduciary requirements prescribed by the Secretary. Except as provided in subsection (b), amounts in the fund may be invested only in interest-bearing securities approved by the Secretary.

(b) **STOCK INVESTMENTS.**—

(1) **IN GENERAL.**—With the approval of the Secretary, an agreed percentage (but not more than 60 percent) of the assets of the fund may be invested in the stock of domestic corporations that—

(A) is fully listed and registered on an exchange registered with the Securities and Exchange Commission as a national securities exchange; and

(B) would be acquired by a prudent investor seeking a reasonable income and the preservation of capital.

(2) **PREFERRED STOCK.**—The preferred stock of a corporation is deemed to satisfy the requirements of this subsection, even though it may not be registered and listed because it is nonvoting stock, if the common stock of the corporation satisfies the requirements and the preferred stock otherwise would satisfy the requirements.

(c) **MAINTAINING AGREED PERCENTAGE.**—If at any time the fair market value of the stock in the fund is more than the agreed percentage of the assets in the fund, any subsequent investment of amounts deposited in the fund, and any subsequent withdrawal from the fund, shall be made in a way that tends to restore the fair market value of the stock to not more than the agreed percentage.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1594.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53506	46 App.:1177(c).	June 29, 1936, ch. 858, title VI, §607(c), 49 Stat. 2005; June 23, 1938, ch. 600, §§23-28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17-19, 66 Stat. 764; Pub. L. 85-637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87-45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87-271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91-469, §21(a), Oct. 21, 1970, 84 Stat. 1027; Pub. L. 97-31, §12(97)(A), Aug. 6, 1981, 95 Stat. 162.

In subsection (b)(1)(B), the words “prudent investor” are substituted for “prudent men of discretion and intelligence in such matters” to eliminate unnecessary words.

§ 53507. Nontaxation of deposits

(a) TAX TREATMENT.—Subject to subsection (b), under the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.)—

(1) taxable income (determined without regard to this chapter and section 7518 of such Code (26 U.S.C. 7518)) for the taxable year shall be reduced by the amount deposited for the taxable year out of amounts referred to in section 53505(a)(1) of this title;

(2) a gain from a transaction referred to in section 53505(a)(3) of this title shall not be taken into account if an amount equal to the net proceeds (as defined in joint regulations) from the transaction is deposited in the fund;

(3) the earnings (including gains and losses) from the investment and reinvestment of amounts held in the fund shall not be taken into account;

(4) the earnings and profits of a corporation (within the meaning of section 316 of such Code (26 U.S.C. 316)) shall be determined without regard to this chapter and section 7518 of such Code (26 U.S.C. 7518); and

(5) in applying the tax imposed by section 531 of such Code (26 U.S.C. 531), amounts held in the fund shall not be taken into account.

(b) CONDITION.—This section applies to an amount only if the amount is deposited in the fund under the agreement within the time provided in joint regulations.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1594.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53507	46 App.:1177(d).	June 29, 1936, ch. 858, title VI, §607(d), 49 Stat. 2005; June 23, 1938, ch. 600, §§23-28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17-19, 66 Stat. 764; Pub. L. 85-637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87-45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87-271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91-469, §21(a), Oct. 21, 1970, 84 Stat. 1028; Pub. L. 99-514, title II, §261(e)(1), (2), Oct. 22, 1986, 100 Stat. 2215.

§ 53508. Separate accounts within a fund

(a) IN GENERAL.—A capital construction fund shall have three accounts:

- (1) The capital account.
- (2) The capital gain account.
- (3) The ordinary income account.

(b) CAPITAL ACCOUNT.—The capital account shall consist of—

(1) amounts referred to in section 53505(a)(2) of this title;

(2) amounts referred to in section 53505(a)(3) of this title, except that portion representing a gain not taken into account because of section 53507(a)(2) of this title;

(3) the percentage applicable under section 243(a)(1) of the Internal Revenue Code of 1986 (26 U.S.C. 243(a)(1)) of any dividend received by the fund for which the person maintaining the fund would be allowed (were it not for section 53507(a)(3) of this title) a deduction under section 243 of such Code (26 U.S.C. 243); and

(4) interest income exempt from taxation under section 103 of such Code (26 U.S.C. 103).

(c) CAPITAL GAIN ACCOUNT.—The capital gain account shall consist of—

(1) amounts representing capital gains on assets held for more than 6 months and referred to in section 53505(a)(3) or (4) of this title; minus

(2) amounts representing capital losses on assets held in the fund for more than 6 months.

(d) ORDINARY INCOME ACCOUNT.—The ordinary income account shall consist of—

(1) amounts referred to in section 53505(a)(1) of this title;

(2)(A) amounts representing capital gains on assets held for not more than 6 months and referred to in section 53505(a)(3) or (4) of this title; minus

(B) amounts representing capital losses on assets held in the fund for not more than 6 months;

(3) interest (except tax-exempt interest referred to in subsection (b)(4)) and other ordinary income (except any dividend referred to in paragraph (5)) received on assets held in the fund;

(4) ordinary income from a transaction described in section 53505(a)(3) of this title; and

(5) that portion of any dividend referred to in subsection (b)(3) not taken into account under subsection (b)(3).

(e) WHEN LOSSES ALLOWED.—Except on termination of a fund, capital losses referred to in subsection (c) or (d)(2) shall be allowed only as an offset to gains referred to in subsection (c) or (d)(2), respectively.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1595.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53508	46 App.:1177(e).	June 29, 1936, ch. 858, title VI, §607(e), 49 Stat. 2005; June 23, 1938, ch. 600, §§23-28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17-19, 66 Stat. 764; Pub. L. 85-637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87-45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87-271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91-469, §21(a), Oct. 21, 1970, 84 Stat. 1028; Pub. L. 99-514, title II, §261(e)(3), (4), Oct. 22, 1986, 100 Stat. 2215.

§ 53509. Qualified withdrawals

(a) IN GENERAL.—Subject to subsection (b), a withdrawal from a capital construction fund is a qualified withdrawal if it is made under the terms of the agreement and is for—

- (1) the acquisition, construction, or reconstruction of a qualified vessel or a barge or container that is part of the complement of a qualified vessel; or
- (2) the payment of the principal on indebtedness incurred in the acquisition, construction, or reconstruction of a qualified vessel or a barge or container that is part of the complement of a qualified vessel.

(b) BARGES AND CONTAINERS.—Except as provided in regulations prescribed by the Secretary, subsection (a) applies to a barge or container only if it is constructed in the United States.

(c) TREATMENT AS NONQUALIFIED WITHDRAWAL.—Under joint regulations, if the Secretary determines that a substantial obligation under an agreement is not being fulfilled, the Secretary, after notice and opportunity for a hearing to the person maintaining the fund, may treat any amount in the fund as an amount withdrawn from the fund in a nonqualified withdrawal.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1596.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53509	46 App.:1177(f).	June 29, 1936, ch. 858, title VI, §607(f), 49 Stat. 2005; June 23, 1938, ch. 600, §§23-28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17-19, 66 Stat. 764; Pub. L. 85-637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87-45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87-271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91-469, §21(a), Oct. 21, 1970, 84 Stat. 1029; Pub. L. 97-31, §12(97)(A), Aug. 6, 1981, 95 Stat. 162.

In subsection (c), the words “any amount in the fund” are substituted for “the entire fund or any portion thereof” to eliminate unnecessary words.

§ 53510. Tax treatment of qualified withdrawals and basis of property

(a) ORDER OF WITHDRAWALS.—A qualified withdrawal from a capital construction fund shall be treated as made—

- (1) first from the capital account;
- (2) second from the capital gain account; and
- (3) third from the ordinary income account.

(b) ORDINARY INCOME ACCOUNT WITHDRAWALS.—If a portion of a qualified withdrawal for a vessel, barge, or container is made from the ordinary income account, the basis of the vessel, barge, or container shall be reduced by an amount equal to that portion.

(c) CAPITAL GAIN ACCOUNT WITHDRAWALS.—If a portion of a qualified withdrawal for a vessel, barge, or container is made from the capital gain account, the basis of the vessel, barge, or container shall be reduced by an amount equal to that portion.

(d) WITHDRAWALS TO PAY PRINCIPAL.—If a portion of a qualified withdrawal to pay the principal on indebtedness is made from the ordinary income account or the capital gain account, an amount equal to the total reduction that would be required by subsections (b) and (c) if the withdrawal were a qualified withdrawal for a purpose described in those subsections shall be applied, in the order provided in joint regulations, to reduce the basis of vessels, barges, and containers owned by the person maintaining the fund. The remaining amount of the withdrawal shall be treated as a nonqualified withdrawal.

(e) GAIN ON PROPERTY WITH REDUCED BASIS.—If property, the basis of which was reduced under subsection (b), (c), or (d), is disposed of, any gain realized on the disposition, to the extent it does not exceed the total reduction in the basis of the property under those subsections, shall be treated as an amount referred to in section 53511(c)(1) of this title withdrawn on the date of disposition of the property. Subject to conditions prescribed in joint regulations, this subsection does not apply to a disposition if there is a redeposit, in an amount determined under joint regulations, that restores the fund as far as practicable to the position it was in before the withdrawal.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1596.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53510	46 App.:1177(g).	June 29, 1936, ch. 858, title VI, §607(g), 49 Stat. 2005; June 23, 1938, ch. 600, §§23-28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17-19, 66 Stat. 764; Pub. L. 85-637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87-45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87-271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91-469, §21(a), Oct. 21, 1970, 84 Stat. 1029; Pub. L. 99-514, title II, §261(e)(5), Oct. 22, 1986, 100 Stat. 2215.

§ 53511. Tax treatment of nonqualified withdrawals

(a) **IN GENERAL.**—Except as provided in section 53513 of this title, a withdrawal from a fund that is not a qualified withdrawal shall be treated as a nonqualified withdrawal.

(b) **ORDER OF WITHDRAWALS.**—A nonqualified withdrawal shall be treated as made—

- (1) first from the ordinary income account;
- (2) second from the capital gain account; and
- (3) third from the capital account.

(c) **TAX TREATMENT.**—For purposes of the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.)—

(1) a nonqualified withdrawal from the ordinary income account shall be included in income as an item of ordinary income for the taxable year in which the withdrawal is made;

(2) a nonqualified withdrawal from the capital gain account shall be included in income for the taxable year in which the withdrawal is made as an item of gain realized during that year from the disposition of an asset held for more than 6 months; and

(3) for the period through the last date prescribed for payment of tax for the taxable year in which the withdrawal is made—

(A) no interest shall be payable under section 6601 of such Code (26 U.S.C. 6601) and no addition to the tax shall be payable under section 6651 of such Code (26 U.S.C. 6651);

(B) interest on the amount of the additional tax attributable to an amount treated as a nonqualified withdrawal from the ordinary income account or the capital gain account shall be paid at the rate determined under subsection (d) from the last date prescribed for payment of the tax for the taxable year for which the amount was deposited in the fund; and

(C) no interest shall be payable on amounts treated as withdrawn on a last-in-first-out basis under section 53512 of this title.

(d) **INTEREST RATE.**—The rate of interest under subsection (c)(3)(B) for a nonqualified withdrawal made in a taxable year beginning after 1971 shall be determined and published jointly by the Secretary and the Secretary of the Treasury. The rate shall be such that its relationship to 8 percent is comparable, as determined by the Secretaries under joint regulations, to the relationship between—

- (1) the money rates and investment yields for the calendar year immediately before the beginning of the taxable year; and
- (2) the money rates and investment yields for the calendar year 1970.

(e) **NONQUALIFIED WITHDRAWALS.**—

(1) **IN GENERAL.**—The following applicable percentage of any amount that remains in a capital construction fund at the close of the following specified taxable year following the taxable year for which the amount was deposited shall be treated as a nonqualified withdrawal:

If the amount remains in the fund at the close of the—	The applicable percentage is—
26th taxable year	20 percent
27th taxable year	40 percent

If the amount remains in the fund at the close of the—	The applicable percentage is—
28th taxable year	60 percent
29th taxable year	80 percent
30th taxable year	100 percent.

(2) **EARNINGS.**—The earnings of a capital construction fund for any taxable year (except net gains) shall be treated under this subsection as an amount deposited for the taxable year.

(3) **CONTRACT FOR QUALIFIED WITHDRAWAL.**—Under paragraph (1), an amount shall not be treated as remaining in a capital construction fund at the close of a taxable year to the extent there is a binding contract at the close of the taxable year for a qualified withdrawal of the amount for an identified item for which the withdrawal may be made.

(4) **EXCESS EARNINGS.**—If the Secretary determines that the balance in a capital construction fund exceeds the amount appropriate to meet the vessel construction program objectives of the person that established the fund, the amount of the excess shall be treated as a nonqualified withdrawal under paragraph (1) unless the person develops appropriate program objectives within 3 years to dissipate the excess.

(5) **AMOUNTS IN FUND ON JANUARY 1, 1987.**—Under this subsection, amounts in a capital construction fund on January 1, 1987, shall be treated as having been deposited in that fund on that date.

(f) **TAX DETERMINATIONS.**—

(1) **IN GENERAL.**—For a taxable year for which there is a nonqualified withdrawal (including an amount treated as a nonqualified withdrawal under subsection (e)), the tax imposed by chapter 1 of the Internal Revenue Code of 1986 (26 U.S.C. ch. 1) shall be determined by—

(A) excluding the withdrawal from gross income; and

(B) increasing the tax imposed by chapter 1 of such Code by the product of the amount of the withdrawal and the highest tax rate specified in section 1 (or section 11 for a corporation) of such Code (26 U.S.C. 1, 11).

(2) **MAXIMUM TAX RATE.**—For that portion of a nonqualified withdrawal made from the capital gain account during a taxable year to which section 1(h) or 1201(a) of such Code (26 U.S.C. 1(h), 1201(a)) applies, the tax rate used under paragraph (1)(B) may not exceed 15 percent (or 34 percent for a corporation).

(3) **TAX BENEFIT RULE.**—If any portion of a nonqualified withdrawal is properly attributable to deposits (except earnings on deposits) made by the taxpayer in a taxable year that did not reduce the taxpayer's liability for tax under chapter 1 of such Code (26 U.S.C. ch. 1) for a taxable year before the taxable year in which the withdrawal occurs—

(A) that portion shall not be taken into account under paragraph (1); and

(B) an amount equal to that portion shall be allowed as a deduction under section 172 of such Code (26 U.S.C. 172) for the taxable year in which the withdrawal occurs.

(4) **COORDINATION WITH DEDUCTION FOR NET OPERATING LOSSES.**—A nonqualified withdrawal

excluded from gross income under paragraph (1) shall be excluded in determining taxable income under section 172(b)(2) of such Code (26 U.S.C. 172(b)(2)).

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1597.)

AMENDMENT OF SUBSECTION (f)(2)

Subsection (f)(2) of this section was derived from the last paragraph of section 1177(h)(6)(A) of the former Appendix to this title, which was amended by section 301(a)(2)(E) of Pub. L. 108–27 by substituting “15 percent” for “20 percent”. Section 303 of Pub. L. 108–27, as amended by section 102 of Pub. L. 109–222, set out as an Effective and Termination Dates of 2003 Amendment note under section 1 of Title 26, Internal Revenue Code, provided that such amendment shall not apply to taxable years beginning after December 31, 2010, and that the Internal Revenue Code of 1986 shall be applied and administered to such years as if the amendment had never been enacted. For applicability of section 303 of Pub. L. 108–27 to subsection (f)(2) of this section, see section 18(c), (d) of Pub. L. 109–304, set out as a note preceding section 101 of this title.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53511	46 App.:1177(h) (less (2) (last sentence)).	June 29, 1936, ch. 858, title VI, §607(h) (less (2) (last sentence)), 49 Stat. 2005; June 23, 1938, ch. 600, §§23–28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17–19, 66 Stat. 764; Pub. L. 85–637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87–45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87–271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91–469, §21(a), Oct. 21, 1970, 84 Stat. 1030; Pub. L. 97–31, §12(97)(A), Aug. 6, 1981, 95 Stat. 162; Pub. L. 99–514, title II, §261(e)(6), Oct. 22, 1986, 100 Stat. 2215; Pub. L. 100–647, title I, §1002(m)(2), Nov. 10, 1988, 102 Stat. 3382; Pub. L. 101–508, title XI, §11101(d)(7)(B), Nov. 5, 1990, 104 Stat. 1388–405; Pub. L. 105–34, title III, §311(c)(2), Aug. 5, 1997, 111 Stat. 835; Pub. L. 108–27, title III, §301(a)(2)(E), May 28, 2003, 117 Stat. 758.

In subsection (c)(3)(C), the words “or in the case of any nonqualified withdrawal arising from the application of the recapture provision of section 1176(5) of this Appendix as in effect on December 31, 1969” are omitted as obsolete.

In subsection (d), the words “made in a taxable year beginning in 1970 or 1971 is 8 percent” are omitted as obsolete.

§ 53512. FIFO and LIFO withdrawals

(a) FIFO.—Except as provided in subsection (b), an amount withdrawn from an account under this chapter shall be treated as withdrawn on a first-in-first-out basis.

(b) LIFO.—An amount withdrawn from an account under this chapter shall be treated as withdrawn on a last-in-first-out basis if it is—

(1) a nonqualified withdrawal for research, development, and design expenses incident to

new and advanced vessel design, machinery, and equipment; or

(2) an amount treated as a nonqualified withdrawal under section 53510(d) of this title.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1599.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53512	46 App.:1177(h)(2) (last sentence).	June 29, 1936, ch. 858, title VI, §607(h)(2) (last sentence), 49 Stat. 2005; June 23, 1938, ch. 600, §§23–28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17–19, 66 Stat. 764; Pub. L. 85–637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87–45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87–271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91–469, §21(a), Oct. 21, 1970, 84 Stat. 1030.

§ 53513. Corporate reorganizations and partnership changes

Under joint regulations—

(1) a transfer of a capital construction fund from one person to another person in a transaction to which section 381 of the Internal Revenue Code of 1986 (26 U.S.C. 381) applies may be treated as if the transaction is not a nonqualified withdrawal; and

(2) a similar rule shall be applied to a continuation of a partnership (within the meaning of subchapter K of chapter 1 of such Code (26 U.S.C. 701 et seq.)).

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1599.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53513	46 App.:1177(i).	June 29, 1936, ch. 858, title VI, §607(i), 49 Stat. 2005; June 23, 1938, ch. 600, §§23–28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17–19, 66 Stat. 764; Pub. L. 85–637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87–45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87–271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91–469, §21(a), Oct. 21, 1970, 84 Stat. 1031.

§ 53514. Relationship of old fund to new fund

(a) DEFINITION.—In this section, the term “old fund” means a capital construction fund maintained before October 21, 1970.

(b) ELECTION TO MAINTAIN OLD FUND.—A person maintaining an old fund may elect to continue the old fund, but may not—

(1) hold amounts in the old fund beyond the expiration date provided in the agreement under which the old fund is maintained (determined without regard to an extension or renewal made after April 14, 1970); or

(2) maintain simultaneously the old fund and a new fund established under this chapter.

(c) APPLICATION OF NEW FUND AGREEMENT TO OLD FUND AMOUNTS.—If a person makes an

agreement under this chapter to establish a new fund, the person may agree to extend the agreement to some or all of the amounts in an old fund. Each item in the old fund to be transferred shall be transferred in a nontaxable transaction to the appropriate account in the new fund. For purposes of section 53511(c)(3) of this title, the date of the deposit of an item so transferred shall be July 1, 1971, or the date of the deposit in the old fund, whichever is later.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1599.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53514	46 App.:1177(j).	June 29, 1936, ch. 858, title VI, §607(j), 49 Stat. 2005; June 23, 1938, ch. 600, §§23–28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17–19, 66 Stat. 764; Pub. L. 85–637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87–45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87–271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91–469, §21(a), Oct. 21, 1970, 84 Stat. 1031.

§ 53515. Records and reports

A person maintaining a fund under this chapter shall keep records and make reports as required by the Secretary or the Secretary of the Treasury.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1599.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53515	46 App.:1177(l) (1st sentence).	June 29, 1936, ch. 858, title VI, §607(l) (1st sentence), 49 Stat. 2005; June 23, 1938, ch. 600, §§23–28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17–19, 66 Stat. 764; Pub. L. 85–637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87–45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87–271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91–469, §21(a), Oct. 21, 1970, 84 Stat. 1032; Pub. L. 97–31, §12(97)(A), Aug. 6, 1981, 95 Stat. 162.

§ 53516. Termination of agreement after change in regulations

If, after an agreement has been made under this chapter, a change is made either in the joint regulations or in the regulations prescribed by the Secretary under this chapter that could have a substantial effect on the rights or duties of a person maintaining a fund under this chapter, that person may terminate the agreement.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1600.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53516	46 App.:1177(l) (last sentence).	June 29, 1936, ch. 858, title VI, §607(l) (last sentence), 49 Stat. 2005; June 23, 1938, ch. 600, §§23–28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17–19, 66 Stat. 764; Pub. L. 85–637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87–45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87–271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91–469, §21(a), Oct. 21, 1970, 84 Stat. 1032; Pub. L. 97–31, §12(97)(A), Aug. 6, 1981, 95 Stat. 162.

§ 53517. Reports

(a) IN GENERAL.—Within 120 days after the close of each calendar year, the Secretary of Transportation and the Secretary of Commerce each shall provide the Secretary of the Treasury a written report on the capital construction funds under the particular Secretary's jurisdiction for the calendar year.

(b) CONTENTS.—The report shall state the name and taxpayer identification number of each person—

(1) establishing a capital construction fund during the calendar year;

(2) maintaining a capital construction fund on the last day of the calendar year;

(3) terminating a capital construction fund during the calendar year;

(4) making a deposit to or withdrawal from a capital construction fund during the calendar year, and the amount of the deposit or withdrawal; or

(5) having been determined during the calendar year to have failed to fulfill a substantial obligation under a capital construction fund agreement to which the person is a party.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1600.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53517	46 App.:1177(m).	June 29, 1936, ch. 858, title VI, §607(m), as added Pub. L. 99–514, §261(d), Oct. 22, 1986, 100 Stat. 2214.

CHAPTER 537—LOANS AND GUARANTEES

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SUBCHAPTER I—GENERAL

§ 53701. Definitions

In this chapter:

(1) **ACTUAL COST.**—The term “actual cost” means the sum of—

(A) all amounts paid by or for the account of the obligor as of the date on which a determination is made under section 53715(d)(1) of this title; and

(B) all amounts that the Secretary reasonably estimates the obligor will become obligated to pay from time to time thereafter, for the construction, reconstruction, or reconditioning of the vessel, including guarantee fees that will become payable under section 53714 of this title in connection with all obligations issued for construction, reconstruction, or reconditioning of the vessel or equipment to be delivered, and all obligations issued for the delivered vessel or equipment.

(2) **CONSTRUCTION, RECONSTRUCTION, AND RECONDITIONING.**—The terms “construction”, “reconstruction”, and “reconditioning” include designing, inspecting, outfitting, and equipping.

(3) **DEPRECIATED ACTUAL COST.**—The term “depreciated actual cost” of a vessel means—

(A) if the vessel was not reconstructed or reconditioned, the actual cost of the vessel depreciated on a straight line basis over the useful life of the vessel as determined by the Secretary, not to exceed 25 years from the date of delivery by the builder; or

(B) if the vessel was reconstructed or reconditioned, the sum of—

(i) the actual cost of the vessel depreciated on a straight line basis from the date of delivery by the builder to the date of the reconstruction or reconditioning, using the original useful life of the vessel, and from the date of the reconstruction or reconditioning, using a useful life of the vessel determined by the Secretary; and

(ii) any amount paid or obligated to be paid for the reconstruction or reconditioning, depreciated on a straight line basis using a useful life of the vessel determined by the Secretary.

(4) **ELIGIBLE EXPORT VESSEL.**—The term “eligible export vessel” means a vessel that—

(A) is constructed, reconstructed, or reconditioned in the United States for use in world-wide trade; and

(B) will, on delivery or redelivery, become or remain documented under the laws of a country other than the United States.

(5) **FISHERY FACILITY.**—

(A) **IN GENERAL.**—Subject to subparagraph (B), the term “fishery facility” means—

(i) for operations on land—

(I) a structure or appurtenance thereto designed for the unloading and receiving from vessels, the processing, the holding pending processing, the distribution after processing, or the holding pending distribution, of fish from a fishery;

(II) the land necessary for the structure or appurtenance; and

(III) equipment that is for use with the structure or appurtenance and that is necessary for performing a function referred to in subclause (I);

(ii) for operations not on land, a vessel built in the United States and used for, equipped to be used for, or of a type normally used for, the processing of fish; or

(iii) for aquaculture, including operations on land or elsewhere—

(I) a structure or appurtenance thereto designed for aquaculture;

(II) the land necessary for the structure or appurtenance;

(III) equipment that is for use with the structure or appurtenance and that is necessary for performing a function referred to in subclause (I); and

(IV) a vessel built in the United States and used for, equipped to be used for, or of a type normally used for, aquaculture.

(B) **REQUIRED OWNERSHIP.**—Under subparagraph (A), the structure, appurtenance, land, equipment, or vessel must be owned by—

(i) an individual who is a citizen of the United States; or

(ii) an entity that is a citizen of the United States under section 50501 of this title and that is at least 75 percent owned (as determined under that section) by citizens of the United States.

(6) **FISHING VESSEL.**—The term “fishing vessel” has the meaning given that term in section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802), and any reference in this chapter to a vessel designed principally for commercial use in the fishing trade or industry is deemed to be a reference to a fishing vessel.

(7) **MORTGAGE.**—The term “mortgage” includes—

(A) a preferred mortgage as defined in section 31301 of this title; and

(B) a mortgage on a vessel that will become a preferred mortgage when filed or recorded under chapter 313 of this title.

(8) **OBLIGATION.**—The term “obligation” means an instrument of indebtedness issued for a purpose described in section 53706 of this title, except—

(A) an obligation issued by the Secretary under section 53723 of this title; and

(B) an obligation eligible for investment of funds under section 53715(f) or 53717 of this title.

(9) OBLIGEE.—The term “obligee” means the holder of an obligation.

(10) OBLIGOR.—The term “obligor” means a party primarily liable for payment of the principal of or interest on an obligation.

(11) OCEAN THERMAL ENERGY CONVERSION FACILITY OR PLANTSHIP.—The term “ocean thermal energy conversion facility or plantship” means an at-sea facility or vessel, whether mobile, floating unmoored, moored, or standing on the seabed, that uses temperature differences in ocean water to produce electricity or another form of energy capable of being used directly to perform work, and includes—

(A) equipment installed on the facility or vessel to use the electricity or other form of energy to produce, process, refine, or manufacture a product;

(B) a cable or pipeline used to deliver the electricity, freshwater, or product to shore; and

(C) other associated equipment and appurtenances of the facility or vessel to the extent they are located seaward of the high water mark.

(12) SECRETARY.—The term “Secretary” means—

(A) the Secretary of Commerce with respect to fishing vessels and fishery facilities; and

(B) the Secretary of Transportation with respect to other vessels and general shipyard facilities (as defined in section 53733(a) of this title).

(13) VESSEL.—The term “vessel” means any type of vessel, whether in existence or under construction, including—

(A) a cargo vessel;

(B) a passenger vessel;

(C) a combination cargo and passenger vessel;

(D) a tanker;

(E) a tug or towboat;

(F) a barge;

(G) a dredge;

(H) a floating drydock with a capacity of at least 35,000 lifting tons and a beam of at least 125 feet between the wing walls;

(I) an oceanographic research vessel;

(J) an instruction vessel;

(K) a pollution treatment, abatement, or control vessel;

(L) a fishing vessel whose ownership meets the citizenship requirements under section 50501 of this title for documenting vessels to operate in the coastwise trade; and

(M) an ocean thermal energy conversion facility or plantship that is or will be documented under the laws of the United States.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1601; Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(A), (b)(1), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENTS NOT SHOWN IN TEXT

This section was derived from section 1271 of the former Appendix to this title, which was amended

by Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(A), (b)(1), Jan. 6, 2006, 119 Stat. 3555. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1271 of the former Appendix to this title was amended in subsecs. (c), (f), and (g) (corresponding to pars. (8), (1), and (3), respectively, of this section) by striking “Secretary” each place it appears and inserting “Secretary or Administrator”, in subsec. (n) (corresponding to par. (12) of this section) by striking “subchapter,” and all that follows and inserting “subchapter.”, and by adding at the end the following:

“(p) The term ‘Administrator’ means the Administrator of the Maritime Administration.”

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53701(1)	46 App.:1271(f).	June 29, 1936, ch. 858, title XI, § 1101, as added June 23, 1938, ch. 600, § 46, 52 Stat. 969; Sept. 3, 1954, ch. 1265, § 1, 68 Stat. 1267; Aug. 7, 1956, ch. 1026, § 1(a), (b), 70 Stat. 1087; Pub. L. 86–127, § 1(1), July 31, 1959, 73 Stat. 272; Pub. L. 86–685, § 1, Sept. 2, 1960, 74 Stat. 733; Pub. L. 87–303, § 2, Sept. 26, 1961, 75 Stat. 661; Pub. L. 91–469, § 29, Oct. 21, 1970, 84 Stat. 1035; Pub. L. 92–507, § 1, Oct. 19, 1972, 86 Stat. 909; Pub. L. 96–320, title II, § 202(a), Aug. 3, 1980, 94 Stat. 992; Pub. L. 96–561, title II, § 220(1), Dec. 22, 1980, 94 Stat. 3291; Pub. L. 97–31, § 12(135), Aug. 6, 1981, 95 Stat. 165; Pub. L. 100–710, title I, § 104(d), Nov. 23, 1988, 102 Stat. 4750; Pub. L. 102–567, title III, § 304, Oct. 29, 1992, 106 Stat. 4283; Pub. L. 103–160, title XIII, § 1356(1), 1357(b), Nov. 30, 1993, 107 Stat. 1812, 1815; Pub. L. 104–208, title I, § 101 [title II, § 211(b)], Sept. 30, 1996, 110 Stat. 3009–41; Pub. L. 104–239, § 111(1), Oct. 8, 1996, 110 Stat. 3134; Pub. L. 108–136, title XXXV, § 3521(b), Nov. 24, 2003, 117 Stat. 1799.
53701(2)	46 App.:1271(h).	
53701(3)	46 App.:1271(g).	
53701(4)	46 App.:1271(o).	
53701(5)	46 App.:1271(j), (k), (m).	
53701(6)	46 App.:1271(l).	
53701(7)	46 App.:1271(a).	
53701(8)	46 App.:1271(c).	
53701(9)	46 App.:1271(e).	
53701(10)	46 App.:1271(d).	
53701(11)	46 App.:1271(i).	
53701(12)	46 App.:1271(n).	
53701(13)	46 App.:1271(b).	

In paragraph (2), the words “but shall not be limited to” are omitted as unnecessary.

In paragraph (4)(B), the words “become or remain” are substituted for “be placed under or continued to be” for clarity.

In paragraph (5)(B)(i), the words “individual who is a citizen of the United States” are substituted for “individual who is a citizen or national of the United States or a citizen of the Northern Mariana Islands” in 46 App. U.S.C. 1271(k) because of the definition of “citizen of the United States” in chapter 1 of the revised title. Citizens of the Northern Mariana Islands became citizens or non-citizen nationals of the United States (either of which is a “citizen of the United States” as defined in chapter 1 of the revised title) when the Covenant establishing the Commonwealth of the Northern Mariana Islands became effective on November 4, 1986.

In paragraph (5)(B)(ii), the words “corporation, partnership, association, or other” are omitted as surplus [sic]. The words “the term ‘State’ as used therein includes any State, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, the Virgin Islands of the United States, Guam, the Northern Mariana Islands, or any other Commonwealth, territory, or possession of the United States” in 46 App. U.S.C. 1271(k) are omitted as unnecessary because of the definitions of “State” and “United States” in chapter 1 of the revised title. The definition of “United States” in 46 App. U.S.C. 1271(m) is omitted as unnecessary because of the definition of “United States” in chapter 1. The words “and nationals of the United States or citizens of the Northern Mariana Islands shall be treated as citizens of the United States in meeting such ownership requirement” are omitted as unnecessary because of the definition of “citizen of the United States” in chapter 1 of the revised title.

In paragraph (8), before subparagraph (A), the words “instrument of indebtedness” are substituted for “note, bond, debenture, or other evidence of indebtedness” to eliminate unnecessary words. In subparagraph (B), the reference to section 53717 is substituted for the reference to 46 App. U.S.C. 1272 because the accounts under section 53717 replace the Federal Ship Financing Fund. See the explanation for section 53717.

§ 53702. General authority

(a) IN GENERAL.—The Secretary, on terms the Secretary may prescribe, may guarantee or make a commitment to guarantee the payment of the principal of and interest on an obligation eligible to be guaranteed under this chapter. A guarantee or commitment to guarantee shall cover 100 percent of the principal and interest.

(b) DIRECT LOANS FOR FISHERIES.—

(1) IN GENERAL.—Notwithstanding any other provision of this chapter, any obligation involving a fishing vessel, fishery facility, aquaculture facility, individual fishing quota, or fishing capacity reduction program issued under this chapter after October 11, 1996, shall be a direct loan obligation for which the Secretary shall be the obligee, rather than an obligation issued to an obligee other than the Secretary and guaranteed by the Secretary. A direct loan obligation under this subsection shall be treated in the same manner and to the same extent as an obligation guaranteed under this chapter except with respect to provisions of this chapter that by their nature can only be applied to obligations guaranteed under this chapter.

(2) INTEREST RATE.—Notwithstanding any other provision of this chapter, the annual rate of interest an obligor shall pay on a direct loan obligation under this subsection is 2 percent plus the additional percent the Secretary must pay as interest to borrow from the Treasury the funds to make the loan.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1603; Pub. L. 109–163, div. C, title XXXV, §3507(a)(1)(C), (d), Jan. 6, 2006, 119 Stat. 3555, 3557.)

AMENDMENT NOT SHOWN IN TEXT

Subsec. (a) of this section was derived from section 1273(a) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, §3507(a)(1)(C), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding

section 101 of this title. Section 1273(a) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53702(a)	46 App.:1273(a).	June 29, 1936, ch. 858, title XI, §1103(a), as added June 23, 1938, ch. 600, §46, 52 Stat. 969; Aug. 15, 1953, ch. 513, §1, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §3, 68 Stat. 1268; June 25, 1956, ch. 438, 70 Stat. 332; Aug. 7, 1956, ch. 1026, §1(a), (c), (d), 70 Stat. 1087; Pub. L. 91–469, §30, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92–507, §3, Oct. 19, 1972, 86 Stat. 910; Pub. L. 97–31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 99–509, title V, §5002, Oct. 21, 1986, 100 Stat. 1912; Pub. L. 103–160, div. A, title XIII, §1356(5), Nov. 30, 1993, 107 Stat. 1814.
53702(b)	46 App.:1279g.	June 29, 1936, ch. 858, title XI, §1112, as added Pub. L. 104–297, title III, §303(a), Oct. 11, 1996, 110 Stat. 3616.

In subsection (a), the words “on terms the Secretary may prescribe” are added based on language in 46 App. U.S.C. 1274(a) (before cl. (1)). The words “the unpaid balance of” are omitted as unnecessary.

CODIFICATION

Subsec. (b) of this section was derived from section 1112 of act June 29, 1936, ch. 858, as added by Pub. L. 104–297, §303(a), which was classified to section 1279g of the former Appendix to this title. Section 1112 was renumbered section 1114 of the Act by Pub. L. 109–163, div. C, title XXXV, §3507(d), Jan. 6, 2006, 119 Stat. 3557. See Historical and Revision notes above and section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title.

§ 53703. Application procedures

(a) TIME FOR DECISION.—

(1) IN GENERAL.—The Secretary shall approve or deny an application for a loan guarantee under this chapter within 270 days after the date on which the signed application is received by the Secretary.

(2) EXTENSION.—On request by an applicant, the Secretary may extend the 270-day period in paragraph (1) to a date not later than 2 years after the date on which the signed application was received by the Secretary.

(b) CERTIFICATION OF REVIEW.—The Secretary may not guarantee or make a commitment to guarantee an obligation under this chapter unless the Secretary certifies that a full and fair consideration of all the regulatory requirements, including economic soundness and financial requirements applicable to the obligor and related parties, and a thorough assessment of the technical, economic, and financial aspects of the loan application, has been made.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1604; Pub. L. 109–163, div. C, title XXXV, §3507(a)(1)(D), (2)(G), (b)(7), Jan. 6, 2006, 119 Stat. 3555, 3556.)

AMENDMENTS NOT SHOWN IN TEXT

Subsec. (a) of this section was derived from section 1274(n) of the former Appendix to this title,

which was amended by Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(D), (2)(G), (b)(7), Jan. 6, 2006, 119 Stat. 3555, 3556. Section 1274(n) of the former Appendix to this title was amended by striking “Secretary” each place it appears (except in par. (1) the first place it appears) and inserting “Secretary or Administrator”, by striking “Secretary” each place it appears (except the first) and inserting “Administrator”, and by striking “The Secretary of Transportation” in par. (1) and inserting “The Administrator”.

Subsec. (b) of this section was derived from section 1274(l) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(D), Jan. 6, 2006, 119 Stat. 3555. Section 1274(l) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

For applicability of those amendments to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53703(a)	46 App.:1274(n).	June 29, 1936, ch. 858, title XI, § 1104A(l), (n), as added Pub. L. 108–136, title XXXV, §§ 3523(b), 3525, Nov. 24, 2003, 117 Stat. 1800, 1801.
53703(b)	46 App.:1274(l).	

§ 53704. Funding limits

(a) GENERAL LIMITATIONS.—The total unpaid principal amount of obligations guaranteed under this chapter and outstanding at one time may not exceed \$12,000,000,000. Of that amount—

(1) \$850,000,000 shall be limited to obligations related to fishing vessels and fishery facilities; and

(2) \$3,000,000,000 shall be limited to obligations related to eligible export vessels.

(b) ADDITIONAL LIMITATIONS.—Additional limitations may not be imposed on new commitments to guarantee loans for any fiscal year, except in amounts established in advance by annual authorization laws. A vessel eligible for a guarantee under this chapter may not be denied eligibility because of its type.

(c) LIMITS BASED ON RISK FACTORS.—

(1) DEFINITION.—In this subsection, the term “cost” has the meaning given that term in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a).

(2) SYSTEM OF RISK CATEGORIES.—The Secretary shall—

(A) establish, and update annually, a system of risk categories for obligations guaranteed under this chapter that categorizes the relative risk of guarantees based on the risk factors set forth in paragraph (4);

(B) determine annually for each risk category a subsidy rate equivalent to the cost of obligations in the category, expressed as a percentage of the amount guaranteed for obligations in the category; and

(C) ensure that each risk category is comprised of loans that are relatively homogeneous in cost and share characteristics

predictive of defaults and other costs, given the facts known at the time of obligation or commitment, using a risk category system that is based on historical analysis of program data and statistical evidence concerning the likely costs of defaults or other costs that are expected to be associated with the loans in the category.

(3) USE OF SYSTEM.—

(A) PLACING OBLIGATION IN CATEGORY.—Before making a guarantee under this chapter for an obligation, and annually for projects subject to a guarantee, the Secretary shall apply the risk factors specified in paragraph (4) to place the obligation in a risk category established under paragraph (2).

(B) REDUCTION OF AVAILABLE AMOUNT.—The Secretary shall consider the total amount available to the Secretary for making guarantees under this chapter to be reduced by the amount determined by multiplying—

(i) the amount guaranteed under this chapter for an obligation; by

(ii) the subsidy rate for the category in which the obligation is placed under subparagraph (A).

(C) ESTIMATED COST.—The estimated cost to the United States Government of a guarantee under this chapter for an obligation is deemed to be the amount determined under subparagraph (B) for the obligation.

(D) RESTRICTION ON FURTHER GUARANTEES.—The Secretary may not guarantee obligations under this chapter after the total amount available to the Secretary under appropriations laws for the cost of loan guarantees is considered to be reduced to zero under subparagraph (B).

(4) RISK FACTORS.—The risk factors referred to in this subsection are—

(A) if applicable, the country risk for each eligible export vessel financed or to be financed by an obligation;

(B) the period for which an obligation is guaranteed or to be guaranteed;

(C) the amount of an obligation guaranteed or to be guaranteed in relation to the total cost of the project financed or to be financed by the obligation;

(D) the financial condition of an obligor or applicant for a guarantee;

(E) if applicable, other guarantees related to the project;

(F) if applicable, the projected employment of each vessel or equipment to be financed with an obligation;

(G) if applicable, the projected market that will be served by each vessel or equipment to be financed with an obligation;

(H) the collateral provided for a guarantee for an obligation;

(I) the management and operating experience of an obligor or applicant for a guarantee;

(J) whether a guarantee under this chapter is or will be in effect during the construction period of the project; and

(K) the concentration risk presented by an unduly large percentage of loans outstanding by any one borrower or group of affiliated borrowers.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1604; Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(C), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENT NOT SHOWN IN TEXT

Subsec. (c) of this section was derived from section 1273(h) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(C), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1273(h) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53704(a)	46 App.:1273(f) (1st sentence).	June 29, 1936, ch. 858, title XI, §1103(f), as added June 23, 1938, ch. 600, §46, 52 Stat. 969; Aug. 15, 1953, ch. 513, §1, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §3, 68 Stat. 1268; June 25, 1956, ch. 438, 70 Stat. 332; Aug. 7, 1956, ch. 1026, §1(a), (c), (d), 70 Stat. 1087; Pub. L. 91–469, §30, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92–507, §3, Oct. 19, 1972, 86 Stat. 910; Pub. L. 93–70, §3, July 10, 1973, 87 Stat. 168; Pub. L. 94–127, §5, Nov. 13, 1975, 89 Stat. 681; Pub. L. 95–298, §5, June 26, 1978, 92 Stat. 340; Pub. L. 96–320, title II, §203(b)(1), Aug. 3, 1980, 94 Stat. 994; Pub. L. 96–561, title II, §220(2), Dec. 22, 1980, 94 Stat. 3292; Pub. L. 97–35, title XVI, §1606(a), (b), Aug. 13, 1981, 95 Stat. 752; Pub. L. 97–424, title IV, §425, Jan. 6, 1983, 96 Stat. 2167; Pub. L. 103–160, title XIII, §1356(2)(A), Nov. 30, 1993, 107 Stat. 1812; Pub. L. 108–136, title XXXV, §3528(b), Nov. 24, 2003, 117 Stat. 1802.
53704(b)	46 App.:1273(f) (2d, last sentences).	
53704(c)	46 App.:1273(h).	June 29, 1936, ch. 858, title XI, §1103(h), as added Pub. L. 104–239, §13(a), Oct. 8, 1996, 110 Stat. 3134; Pub. L. 108–136, title XXXV, §3528(b), Nov. 24, 2003, 117 Stat. 1802.

§ 53705. Pledge of United States Government

(a) **FULL FAITH AND CREDIT.**—The full faith and credit of the United States Government is pledged to the payment of a guarantee made under this chapter, for both principal and interest, including interest (as may be provided for in the guarantee) accruing between the date of default under a guaranteed obligation and the date of payment in full of the guarantee.

(b) **INCONTESTABILITY.**—A guarantee or commitment to guarantee made under this chapter is conclusive evidence of the eligibility of the obligation for the guarantee. The validity of a guarantee or commitment to guarantee made under this chapter is incontestable.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1606; Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(C), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENT NOT SHOWN IN TEXT

Subsec. (b) of this section was derived from section 1273(e) (1st sentence) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(C), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1273(e) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53705(a)	46 App.:1273(d).	June 29, 1936, ch. 858, title XI, §1103(d), (e) (1st sentence), as added June 23, 1938, ch. 600, §46, 52 Stat. 969; Aug. 15, 1953, ch. 513, §1, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §3, 68 Stat. 1268; June 25, 1956, ch. 438, 70 Stat. 332; Aug. 7, 1956, ch. 1026, §1(a), (c), (d), 70 Stat. 1087; Pub. L. 91–469, §30, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92–507, §3, Oct. 19, 1972, 86 Stat. 910; Pub. L. 97–31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 98–595, §1(i), Oct. 30, 1984, 98 Stat. 3130.
53705(b)	46 App.:1273(e) (1st sentence).	

§ 53706. Eligible purposes of obligations

(a) **IN GENERAL.**—To be eligible for a guarantee under this chapter, an obligation must aid in any of the following:

(1)(A) **Financing** (including reimbursement of an obligor for expenditures previously made for) the construction, reconstruction, or reconditioning of a vessel (including an eligible export vessel) designed principally for research, or for commercial use—

(i) in the coastwise or intercoastal trade;

(ii) on the Great Lakes, or on bays, sounds, rivers, harbors, or inland lakes of the United States;

(iii) in foreign trade as defined in section 109(b) of this title;

(iv) as an ocean thermal energy conversion facility or plantship;

(v) as a floating drydock in the construction, reconstruction, reconditioning, or repair of vessels; or

(vi) as an eligible export vessel in worldwide trade.

(B) A guarantee under subparagraph (A) may not be made more than one year after delivery of the vessel (or redelivery if the vessel was reconstructed or reconditioned) unless the proceeds of the obligation are used to finance the construction, reconstruction, or reconditioning of a vessel or of facilities or equipment related to marine operations.

(2) **Financing** (including reimbursement of an obligor for expenditures previously made for) the construction, reconstruction, reconditioning, or purchase of a vessel owned by citizens of the United States and designed principally for research, or for commercial use in the fishing industry.

(3) Financing the purchase, reconstruction, or reconditioning of a vessel or fishery facility—

(A) for which an obligation was guaranteed under this chapter; and

(B) that, under subchapter II of this chapter—

(i) is a vessel or fishery facility for which an obligation was accelerated and paid;

(ii) was acquired by the Federal Ship Financing Fund or successor account under section 53717 of this title; or

(iii) was sold at foreclosure begun or intervened in by the Secretary.

(4) Financing any part of the repayment to the United States Government of any amount of a construction-differential subsidy paid for a vessel.

(5) Refinancing an existing obligation (regardless of whether guaranteed under this chapter) issued for a purpose described in paragraphs (1)–(4), including a short-term obligation incurred to obtain temporary funds with the intention of refinancing.

(6) Financing or refinancing (including reimbursement of an obligor for expenditures previously made for) the construction, reconstruction, reconditioning, or purchase of a fishery facility.

(7) Financing or refinancing—

(A) the purchase of individual fishing quotas in accordance with section 303(d)(4) of the Magnuson-Stevens Fishery Conservation and Management Act (including the reimbursement of obligors for expenditures previously made for such a purchase);

(B) activities that assist in the transition to reduced fishing capacity; or

(C) technologies or upgrades designed to improve collection and reporting of fishery-dependent data, to reduce bycatch, to improve selectivity or reduce adverse impacts of fishing gear, or to improve safety.

(b) NON-VESSELS TREATED AS VESSELS.—An obligation guaranteed under subsection (a)(6) or (7) shall be treated, for purposes of this chapter, in the same manner and to the same extent as an obligation that aids in financing the construction, reconstruction, reconditioning, or purchase of a vessel, except with respect to provisions that by their nature can only be applied to vessels.

(c) PRIORITIES FOR CERTAIN VESSELS.—In guaranteeing or making a commitment to guarantee an obligation under this chapter, the Secretary shall give priority to—

(1) a vessel that is otherwise eligible for a guarantee and is constructed with assistance under subtitle D of the Maritime Security Act of 2003 (46 U.S.C. 53101 note); and

(2) after applying paragraph (1), a vessel that is otherwise eligible for a guarantee and that the Secretary of Defense determines—

(A) is suitable for service as a naval auxiliary in time of war or national emergency; and

(B) meets a shortfall in sealift capacity or capability.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1606; Pub. L. 109–163, div. C, title XXXV,

§ 3507(a)(1)(D), (2)(A), (B), (b)(2), Jan. 6, 2006, 119 Stat. 3555, 3556; Pub. L. 109–479, title II, § 209, Jan. 12, 2007, 120 Stat. 3617.)

AMENDMENTS NOT SHOWN IN TEXT

Subsecs. (a) and (b) of this section were derived from section 1274(a) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(D), Jan. 6, 2006, 119 Stat. 3555. Section 1274(a) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

Subsec. (c) of this section was derived from subsecs. (i) and (j) of section 1273 of the former Appendix to this title, which were amended by Pub. L. 109–163, div. C, title XXXV, § 3507(a)(2)(A), (B), (b)(2), Jan. 6, 2006, 119 Stat. 3555, 3556. Section 1273(i) of the former Appendix to this title was amended by striking “Secretary” and inserting “Administrator”. Section 1273(j) of the former Appendix to this title was amended by striking “Secretary” the first place it appears and inserting “Administrator” and by adding at the end the following:

“The Secretary of Defense shall determine whether a vessel satisfies paragraphs (1) and (2) [now subpars. (A) and (B) of subsec. (c)(2) of this section] by not later than 30 days after receipt of a request from the Administrator for such a determination.”

For applicability of those amendments to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53706(a)	46 App.:1274(a) (less last sentence).	June 29, 1936, ch. 858, title XI, § 1104A(a) [§ 1104A formerly § 1104], as added June 23, 1938, ch. 600, § 46, 52 Stat. 970; Aug. 4, 1939, ch. 417, § 14, 53 Stat. 1187; Sept. 28, 1950, ch. 1093, § 4, 64 Stat. 1078; Aug. 15, 1953, ch. 513, § 2, 67 Stat. 626; Sept. 3, 1954, ch. 1265, § 4, 68 Stat. 1269; Pub. L. 86–123, § 1(3), 2, July 31, 1959, 73 Stat. 269, 271; Pub. L. 86–127, § 1(3), (4), July 31, 1959, 73 Stat. 273; Pub. L. 86–518, § 1, June 12, 1960, 74 Stat. 216; Pub. L. 86–685, §§ 2, 3, Sept. 2, 1960, 74 Stat. 733; Pub. L. 90–341, June 15, 1968, 82 Stat. 180; Pub. L. 91–469, §§ 31, 32, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92–507, § 3, Oct. 19, 1972, 86 Stat. 910; Pub. L. 96–320, title II, § 202(b), Aug. 3, 1980, 94 Stat. 992; Pub. L. 96–561, title II, § 220(3)(A), Dec. 22, 1980, 94 Stat. 3292; Pub. L. 97–31, § 12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 98–595, § 1(2)–(5), Oct. 30, 1984, 98 Stat. 3130; § 1104 renumbered as § 1104A, Pub. L. 101–380, title IV, § 4115(f)(1), Aug. 18, 1990, 104 Stat. 521; Pub. L. 103–160, title XIII, § 1356(3)(A), Nov. 30, 1993, 107 Stat. 1813; Pub. L. 104–208, title I, § 101 [title II, § 211(b)], Sept. 30, 1996, 110 Stat. 3009–41; Pub. L. 104–297, title III, § 302(a)(1)–(4), Oct. 11, 1996, 110 Stat. 3615.
53706(b)	46 App.:1274(a) (last sentence).	

HISTORICAL AND REVISION NOTES—CONTINUED

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53706(c)	46 App.:1273(i), (j).	June 29, 1936, ch. 858, title XI, §1103(i), (j), as added Pub. L. 108-136, title X, §1014(a), title XXXV, §3544, Nov. 24, 2003, 117 Stat. 1591, 1822.

In subsection (a), before paragraph (1), the words “To be eligible for a guarantee under this chapter, an obligation must aid in any of the following” are substituted for “Pursuant to the authority granted under section 1273(a) of this Appendix, the Secretary, upon such terms as he shall prescribe, may guarantee or make a commitment to guarantee, payment of the principal of and interest on an obligation which aids in” to eliminate unnecessary words.

In subsection (a)(2), the words “citizens of the United States” are substituted for “citizens or nationals of the United States or citizens of the Northern Mariana Islands” because of the definition of “citizen of the United States” in chapter 1 of the revised title. Citizens of the Northern Mariana Islands became citizens or non-citizen nationals of the United States (either of which is a “citizen of the United States” as defined in chapter 1 of the revised title) when the Covenant establishing the Commonwealth of the Northern Mariana Islands became effective November 4, 1986.

REFERENCES IN TEXT

Section 303(d)(4) of the Magnuson-Stevens Fishery Conservation and Management Act, referred to in subsec. (a)(7)(A), is section 303(d)(4) of Pub. L. 94-265, which is classified to section 1853(d)(4) of Title 16, Conservation.

The Maritime Security Act of 2003, referred to in subsec. (c)(1), is title XXXV of div. C of Pub. L. 108-136, Nov. 24, 2003, 117 Stat. 1788. Subtitle D of the Act amended section 1273 of the former Appendix to this title and enacted provisions set out as a note under section 53101 of this title. For complete classification of this Act to the Code, see Short Title of 2003 Amendment note set out under section 101 of this title and Tables.

AMENDMENTS

2007—Subsec. (a)(7). Pub. L. 109-479 amended par. (7) generally. Prior to amendment, par. (7) read as follows: “Financing or refinancing (including reimbursement of an obligor for expenditures previously made for) the purchase of an individual fishing quota in accordance with section 303(d)(4) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1853(d)(4)).”

PROHIBITION OF NEW LOANS FOR CONSTRUCTION OF FISHING VESSELS UNDER CERTAIN CONDITIONS

Pub. L. 104-297, title III, §302(b)(2), Oct. 11, 1996, 110 Stat. 3615, as amended by Pub. L. 105-277, div. C, title II, §212, Oct. 21, 1998, 112 Stat. 2681-635; Pub. L. 107-206, title I, §1103, Aug. 2, 2002, 116 Stat. 884, provided that: “No loans may be provided or guaranteed by the Federal Government for the construction or rebuilding of a vessel intended for use as a fishing vessel (as defined in section 2101 of title 46, United States Code), if such vessel will be greater than 165 feet in registered length, of more than 750 gross registered tons (as measured under chapter 145 of title 46) or 1,900 gross registered tons [(as measured under chapter 143 of that title), or have an engine or engines capable of producing a total of more than 3,000 shaft horsepower, after such construction or rebuilding is completed. This prohibition shall not apply to vessels to be used in the menhaden fishery or in tuna purse seine fisheries outside the exclusive economic zone of the United States or the area of the South Pacific Regional Fisheries Treaty.”

[Pub. L. 107-206, title I, §1103, Aug. 2, 2002, 116 Stat. 884, which directed the amendment of title II of divi-

sion C of Public Law 105-277 by substituting “of more than 750 gross registered tons (as measured under chapter 145 of title 46) or 1,900 gross registered tons as measured under chapter 143 of that title)” for “of more than 750 gross registered tons”, was executed to section 302(b)(2) of Pub. L. 104-297, set out above, as amended by section 212 of Pub. L. 105-277, to reflect the probable intent of Congress.]

§ 53707. Findings related to obligors and operators

(a) RESPONSIBLE OBLIGOR.—The Secretary may not guarantee or make a commitment to guarantee an obligation under this chapter unless the Secretary finds that the obligor is responsible and has the ability, experience, financial resources, and other qualifications necessary for the adequate operation and maintenance of each vessel that will serve as security for the guarantee.

(b) OPERATORS OF LINER VESSELS.—The Secretary of Transportation may not guarantee or make a commitment to guarantee a loan for the construction, reconstruction, or reconditioning of a liner vessel under this chapter unless the Chairman of the Federal Maritime Commission certifies that the operator of the vessel has not been found by the Commission to have committed, within the previous 5 years—

(1) a violation of part A of subtitle IV of this title that involves unjust or unfair discriminatory treatment or undue or unreasonable prejudice or disadvantage with respect to a United States shipper, ocean transportation intermediary, ocean common carrier, or port; or

(2) a violation of part B of subtitle IV of this title.

(c) OPERATORS OF FISHING VESSELS.—The Secretary of Commerce may not guarantee or make a commitment to guarantee a loan for the construction, reconstruction, or reconditioning of a fishing vessel under this chapter if the operator of the vessel has been—

(1) held liable, or the vessel has been held liable in rem, for a civil penalty under section 308 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1858) and the operator has not paid the penalty;

(2) found guilty of an offense under section 309 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1859) and not paid the assessed fine or served the assessed sentence;

(3) held liable for a civil or criminal penalty under section 105 of the Marine Mammal Protection Act of 1972 (16 U.S.C. 1375) and not paid the assessed fine or served the assessed sentence; or

(4) held liable for a civil penalty by the Coast Guard under this title or title 33 and not paid the assessed fine.

(d) WAIVERS CONCERNING FINANCIAL CONDITION.—The Secretary shall prescribe regulations concerning circumstances under which waivers of, or exceptions to, otherwise applicable regulatory requirements concerning financial condition can be made. The regulations shall require that—

(1) the economic soundness requirements in section 53708(a) of this title are met after the waiver of the financial condition requirement; and

(2) the waiver shall provide for the imposition of other requirements on the obligor designed to compensate for the increased risk associated with the obligor's failure to meet regulatory requirements applicable to financial condition.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1607; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), (b)(3)(B), (C), (c)(1), Jan. 6, 2006, 119 Stat. 3555, 3556.)

AMENDMENTS NOT SHOWN IN TEXT

Subsec. (a) of this section was derived from section 1274(b)(1) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), Jan. 6, 2006, 119 Stat. 3555. Section 1274(b)(1) of the former Appendix to this title was amended by striking "Secretary" each place it appears and inserting "Secretary or Administrator".

Subsec. (b) of this section was derived from section 1273a(a) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(c)(1), Jan. 6, 2006, 119 Stat. 3556. Section 1273a(a) of the former Appendix to this title was amended by striking "Secretary of Transportation" and inserting "Administrator of the Maritime Administration".

Subsec. (d)(2) of this section was derived from section 1274(d)(4)(B) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(b)(3)(B), (C), Jan. 6, 2006, 119 Stat. 3556. Section 1274(d)(4)(B) of the former Appendix to this title was amended by striking "the waiver" and inserting "if deemed necessary by the Secretary or Administrator, the waiver" and by striking "the increased" and inserting "any significant increase in".

For applicability of those amendments to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53707(a)	46 App.:1274(b)(1).	June 29, 1936, ch. 858, title XI, §1104A(b)(1) [§1104A formerly §1104], as added June 23, 1938, ch. 600, §46, 52 Stat. 970; Aug. 4, 1939, ch. 417, §14, 53 Stat. 1187; Sept. 28, 1950, ch. 1093, §4, 64 Stat. 1078; Aug. 15, 1953, ch. 513, §2, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §4, 68 Stat. 1269; Pub. L. 86-123, §§1(3), 2, July 31, 1959, 73 Stat. 269, 271; Pub. L. 86-127, §1(3), (4), July 31, 1959, 73 Stat. 273; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 86-685, §§2, 3, Sept. 2, 1960, 74 Stat. 733; Pub. L. 90-341, June 15, 1968, 82 Stat. 180; Pub. L. 91-469, §§31, 32, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92-507, §3, Oct. 19, 1972, 86 Stat. 911; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; §1104 renumbered as §1104A, Pub. L. 101-380, title IV, §4115(f)(1), Aug. 18, 1990, 104 Stat. 521.
53707(b)	46 App.:1273a(a).	Pub. L. 105-258, title IV, §401, Oct. 14, 1998, 112 Stat. 1916.
53707(c)	46 App.:1273a(b).	

HISTORICAL AND REVISION NOTES—CONTINUED

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53707(d)	46 App.:1274(d)(4).	June 29, 1936, ch. 858, title XI, §1104A(d)(4), as added Pub. L. 108-136, title XXXV, §3522, Nov. 24, 2003, 117 Stat. 1800.

§ 53708. Findings related to economic soundness

(a) BY SECRETARY OF TRANSPORTATION.—The Secretary of Transportation may not guarantee or make a commitment to guarantee an obligation under this chapter unless the Secretary finds that the property or project for which the obligation will be executed will be economically sound. In making that finding, the Secretary shall consider—

(1) the need in the particular segment of the maritime industry for new or additional capacity, including any impact on existing equipment for which a guarantee under this chapter is in effect;

(2) the market potential for employment of the vessel over the life of the guarantee;

(3) projected revenues and expenses associated with employment of the vessel;

(4) any charter, contract of affreightment, transportation agreement, or similar agreement or undertaking relevant to the employment of the vessel;

(5) other relevant criteria; and

(6) for inland waterways, the need for technical improvements, including increased fuel efficiency or improved safety.

(b) BY SECRETARY OF COMMERCE.—The Secretary of Commerce may not guarantee or make a commitment to guarantee an obligation under this chapter unless the Secretary finds, at or prior to the time the commitment is made or the guarantee becomes effective, that—

(1) the property or project for which the obligation will be executed will be economically sound; and

(2) for a fishing vessel, the purpose of the financing or refinancing is consistent with—

(A) the wise use of the fisheries resources and the development, advancement, management, conservation, and protection of the fisheries resources; or

(B) the need for technical improvements, including increased fuel efficiency or improved safety.

(c) USED FISHING VESSELS AND FACILITIES.—The Secretary of Commerce may not guarantee or make a commitment to guarantee an obligation under this chapter for the purchase of a used fishing vessel or used fishery facility unless the vessel or facility will be—

(1) reconstructed or reconditioned in the United States and will contribute to the development of the United States fishing industry; or

(2) used—

(A) in the harvesting of fish from an underused fishery; or

(B) for a purpose described in the definition of "fishery facility" in section 53701 of this title with respect to an underused fishery.

(d) INDEPENDENT ANALYSIS.—The Secretary may make a determination that aspects of an application under this chapter require independent analysis to be conducted by third party experts due to risk factors associated with markets, technology, financial structures, or other risk factors identified by the Secretary. Any independent analysis conducted under this subsection shall be performed by a party chosen by the Secretary.

(e) ADDITIONAL EQUITY BECAUSE OF INCREASED RISKS.—Notwithstanding any other provision of this chapter, the Secretary may make a determination that an application under this title requires additional equity because of increased risk factors associated with markets, technology, financial structures, or other risk factors identified by the Secretary.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1608; Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(D), (2)(D), (b)(3)(A), (4), Jan. 6, 2006, 119 Stat. 3555, 3556.)

AMENDMENTS NOT SHOWN IN TEXT

Subsec. (a) of this section was derived from section 1274(d)(1)(A) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, § 3507(a)(2)(D), (b)(3)(A), Jan. 6, 2006, 119 Stat. 3555, 3556. Section 1274(d)(1)(A) of the former Appendix to this title was amended by striking “Secretary” each place it appears except the first and inserting “Administrator” and by striking “Secretary of Transportation” and inserting “Administrator”.

Subsecs. (d) and (e) of this section were derived from pars. (2) and (3), respectively, of section 1274(f) of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(D), (b)(4), Jan. 6, 2006, 119 Stat. 3555, 3556. Section 1274(f) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”, by striking “financial structures, or other risk factors identified by the Secretary or Administrator.” in pars. (2) and (3) and inserting “or financial structures.”, and by adding at the end the following:

“(5) A third party independent analysis conducted under paragraph (2) [now subsec. (d) of this section] shall be performed by a private sector expert in assessing such risk factors who is selected by the Administrator.”

For applicability of those amendments to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53708(a)	46 App.:1274(d)(1)(A).	June 29, 1936, ch. 858, title XI, § 1104A(d)(1), (2) [§ 1104A formerly § 1104], as added June 23, 1938, ch. 600, § 46, 52 Stat. 970; Aug. 4, 1939, ch. 417, § 14, 53 Stat. 1187; Sept. 28, 1950, ch. 1093, § 4, 64 Stat. 1078; Aug. 15, 1953, ch. 513, § 2, 67 Stat. 626; Sept. 3, 1954, ch. 1265, § 4, 68 Stat. 1269; Pub. L. 86–123, §§ 1(3), 2, July 31, 1959, 73 Stat. 269, 271; Pub. L. 86–127, § 1(3), (4), July 31, 1959, 73 Stat. 273; Pub. L. 86–518, § 1, June 12, 1960, 74 Stat. 216; Pub. L. 86–685, §§ 2, 3, Sept. 2, 1960, 74 Stat. 733; Pub. L. 90–341, June 15, 1968, 82 Stat. 180; Pub. L. 91–469, §§ 31, 32, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92–507, § 3, Oct. 19, 1972, 86 Stat. 910; Pub. L. 96–561, title II, § 220(3)(C), Dec. 22, 1980, 94 Stat. 3293; Pub. L. 97–31, § 12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 97–35, title XVI, § 1606(c), Aug. 13, 1981, 95 Stat. 752; Pub. L. 98–595, § 1(6), Oct. 30, 1984, 98 Stat. 3130; § 1104 renumbered as § 1104A, Pub. L. 101–380, title IV, § 4115(f)(1), Aug. 18, 1990, 104 Stat. 521.
53708(b)	46 App.:1274(d)(1)(B).	June 29, 1936, ch. 858, title XI, § 1104A(f)(2), (3), as added Pub. L. 108–136, title XXXV, § 3526(2)(C), Nov. 24, 2003, 117 Stat. 1801.
53708(c)	46 App.:1274(d)(2).	
53708(d)	46 App.:1274(f)(2).	
53708(e)	46 App.:1274(f)(3).	

§ 53709. Amount of obligations

(a) IN GENERAL.—The principal of an obligation may not be guaranteed in an amount greater than the amount determined by multiplying the percentage applicable under subsection (b) by—

(1) the amount paid by or for the account of the obligor (as determined by the Secretary, which determination shall be conclusive) for the construction, reconstruction, or reconditioning of the vessel used as security for the guarantee; or

(2) if the obligor creates an escrow fund under section 53715 of this title, the actual cost of the vessel.

(b) LIMITATIONS ON AMOUNT BORROWED.—

(1) IN GENERAL.—Except as otherwise provided, the principal amount of an obligation guaranteed under this chapter may not exceed 75 percent of the actual cost or depreciated actual cost, as determined by the Secretary, of the vessel used as security for the guarantee.

(2) CERTAIN APPROVED VESSELS.—The principal amount may not exceed 87.5 percent of the actual cost or depreciated actual cost if—

(A) the size and speed of the vessel are approved by the Secretary;

(B) the vessel is or would have been eligible for mortgage aid for construction under section 509 of the Merchant Marine Act, 1936, or would have been eligible except that the vessel was built with a construction-differential subsidy and the subsidy has been repaid; and

(C) the vessel is of a type described in that section for which the minimum down pay-

ment required by that section is 12.5 percent of the cost of the vessel.

(3) BARGES.—For a barge constructed without a construction-differential subsidy or for which the subsidy has been repaid, the principal amount may not exceed 87.5 percent of the actual cost or depreciated actual cost.

(4) FISHING VESSELS AND FISHERY FACILITIES.—For a fishing vessel or fishery facility, the principal amount may not exceed 80 percent of the actual cost or depreciated actual cost. However, debt for the vessel or facility may not be placed through the Federal Financing Bank.

(5) OTEC.—For an ocean thermal energy conversion facility or plantship constructed without a construction-differential subsidy, the principal amount may not exceed 87.5 percent of the actual cost or depreciated actual cost of the facility or plantship.

(6) ELIGIBLE EXPORT VESSELS.—For an eligible export vessel, the principal amount may not exceed 87.5 percent of the actual cost or depreciated actual cost.

(c) SECURITY INVOLVING MULTIPLE VESSELS.—The principal amount of an obligation having more than one vessel as security for the guarantee may not exceed the sum of the principal amounts allowable for all the vessels.

(d) PROHIBITION ON UNIFORM PERCENTAGE LIMITATIONS.—The Secretary may not establish a percentage under any provision of subsection (b) that is to be applied uniformly to all guarantees or commitments to guarantee made under that provision.

(e) PROHIBITION ON MINIMUM PRINCIPAL AMOUNT.—The Secretary may not establish, as a condition of eligibility for a guarantee under this chapter, a minimum principal amount for an obligation covering the reconstruction or reconditioning of a fishing vessel or fishery facility. For purposes of this chapter, the reconstruction or reconditioning of a fishing vessel or fishery facility does not include the routine minor repair or maintenance of the vessel or facility.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1609; Pub. L. 109–163, div. C, title XXXV, §3507(a)(1)(C), (D), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENTS NOT SHOWN IN TEXT

Subsecs. (a) to (d) of this section were derived from sections 1273(c) and 1274(b)(2), (c)(1) (last sentence), and (i) of the former Appendix to this title, which were amended by Pub. L. 109–163, div. C, title XXXV, §3507(a)(1)(C), (D), Jan. 6, 2006, 119 Stat. 3555. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Those provisions of the former Appendix to this title were amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53709(a)	46 App.:1273(c).	June 29, 1936, ch. 858, title XI, §1103(c), as added June 23, 1938, ch. 600, §46, 52 Stat. 969; Aug. 15, 1953, ch. 513, §1, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §3, 68 Stat. 1268; June 25, 1956, ch. 438, 70 Stat. 332; Aug. 7, 1956, ch. 1026, §1(a), (c), (d), 70 Stat. 1087; Pub. L. 91–469, §30, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92–507, §3, Oct. 19, 1972, 86 Stat. 910; Pub. L. 97–31, §12(136), Aug. 6, 1981, 95 Stat. 166.
53709(b)	46 App.:1274(b)(2).	June 29, 1936, ch. 858, title XI, §1104A(b)(2), (last 2 sentences), (c)(1) (last sentence) [§1104A formerly §1104], as added June 23, 1938, ch. 600, §46, 52 Stat. 970; Aug. 4, 1939, ch. 417, §14, 53 Stat. 1187; Sept. 28, 1950, ch. 1093, §4, 64 Stat. 1078; Aug. 15, 1953, ch. 513, §2, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §4, 68 Stat. 1269; Pub. L. 86–123, §1(3), 2, July 31, 1959, 73 Stat. 269, 271; Pub. L. 86–127, §1(3), (4), July 31, 1959, 73 Stat. 273; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 86–685, §2, 3, Sept. 2, 1960, 74 Stat. 733; Pub. L. 90–341, June 15, 1968, 82 Stat. 180; Pub. L. 91–469, §31, 32, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92–507, §3, Oct. 19, 1972, 86 Stat. 910; Pub. L. 95–257, Apr. 7, 1978, 92 Stat. 194; Pub. L. 96–320, title II, §202(c), Aug. 3, 1980, 94 Stat. 992; Pub. L. 96–561, title II, §220(3)(B), Dec. 22, 1980, 94 Stat. 3293; Pub. L. 97–31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 99–509, title V, §5003, Oct. 21, 1986, 100 Stat. 1912; §1104 renumbered as §1104A, Pub. L. 101–380, title IV, §4115(f)(1), Aug. 18, 1990, 104 Stat. 521; Pub. L. 103–160, div. A, title XIII, §1356(3)(B), (C), Nov. 30, 1993, 107 Stat. 1813; Pub. L. 104–297, title III, §302(a)(5), Oct. 11, 1996, 110 Stat. 3615.
53709(c)	46 App.:1274(c)(1) (last sentence).	
53709(d)	46 App.:1274(i).	June 29, 1936, ch. 858, title XI, §1104A(i), as added Pub. L. 103–160, div. A, title XIII, §1356(3)(E), Nov. 30, 1993, 107 Stat. 1814.
53709(e)	46 App.:1274(b) (last 2 sentences).	

Subsections (a) and (d) are substituted for the source provisions for clarity and to eliminate unnecessary words.

REFERENCES IN TEXT

Section 509 of the Merchant Marine Act, 1936, referred to in subsec. (b)(2)(B), is section 509 of act June 29, 1936, ch. 858, 49 Stat. 1985, which is set out as a note under section 53101 of this title.

§ 53710. Contents of obligations

(a) IN GENERAL.—An obligation guaranteed under this chapter must—

(1) provide for payments by the obligor satisfactory to the Secretary;

(2) provide for interest (exclusive of guarantee fees and other fees) at a rate not more than the annual rate on the unpaid principal that the Secretary determines is reasonable,

considering the range of interest rates prevailing in the private market for similar loans and the risks assumed by the Secretary;

(3) have a maturity date satisfactory to the Secretary, but—

(A) not more than 25 years after the date of delivery of the vessel used as security for the guarantee; or

(B) if the vessel has been reconstructed or reconditioned, not more than the later of—

(i) 25 years after the date of delivery of the vessel; or

(ii) the remaining years of useful life of the vessel as determined by the Secretary; and

(4) provide, or a related agreement must provide, that if the vessel used as security for the guarantee is a delivered vessel, the vessel shall be—

(A) in class A-1, American Bureau of Shipping, or meet other standards acceptable to the Secretary, with all required certificates, including marine inspection certificates of the Coast Guard or, in the case of an eligible export vessel, of the appropriate foreign authorities under a treaty, convention, or other international agreement to which the United States is a party, and with all outstanding requirements and recommendations necessary for class retention accomplished, unless the Secretary permits a deferment of repairs necessary to meet these requirements; and

(B) well equipped, in good repair, and in every respect seaworthy and fit for service.

(b) PROVISIONS FOR CERTAIN PASSENGER VESSELS.—

(1) IN GENERAL.—With the Secretary's approval, if the vessel used as security for the guarantee is a passenger vessel having the tonnage, speed, passenger accommodations, and other characteristics described in section 503 of the Merchant Marine Act, 1936, an obligation guaranteed under this chapter or a related agreement may provide that—

(A) the only recourse by the United States Government against the obligor for payments under the guarantee will be repossession of the vessel and assignment of insurance claims; and

(B) the obligor's liability for payments under the guarantee will be satisfied and discharged by the surrender of the vessel and all interest in the vessel to the Government in the condition described in paragraph (2).

(2) SURRENDER OF VESSEL.—

(A) IN GENERAL.—On surrender, the vessel must be—

(i) free and clear of all liens and encumbrances except the security interest conveyed to the Secretary under this chapter;

(ii) in class; and

(iii) in as good order and condition (ordinary wear and tear excepted) as when acquired by the obligor.

(B) COVERING DEFICIENCIES BY INSURANCE.—To the extent covered by insurance, a deficiency related to a requirement in subparagraph (A) may be satisfied by assignment of

the obligor's insurance claims to the Government.

(c) OTHER PROVISIONS TO PROTECT SECURITY INTERESTS.—An obligation guaranteed under this chapter and any related agreement must contain other provisions for the protection of the security interests of the Government (including acceleration, assumption, and subrogation provisions and the issuance of notes by the obligor to the Secretary), liens and releases of liens, payment of taxes, and other matters that the Secretary may prescribe.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1610; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), (2)(C), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENTS NOT SHOWN IN TEXT

Subsecs. (a) and (c) of this section were derived from subsecs. (b)(3) to (6) and (h), respectively, of section 1274 of the former Appendix to this title, which were amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), Jan. 6, 2006, 119 Stat. 3555, by striking "Secretary" each place it appears and inserting "Secretary or Administrator".

Subsec. (b) of this section was derived from section 1274(b)(7) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(2)(C), Jan. 6, 2006, 119 Stat. 3555, by striking "Secretary" each place it appears and inserting "Administrator".

For applicability of those amendments to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53710(a)(1) ..	46 App.:1274(b)(4).	June 29, 1936, ch. 858, title XI, §1104A(b)(3)-(7), (h) [§1104A formerly §1104], as added June 23, 1938, ch. 600, §46, 52 Stat. 970; Aug. 4, 1939, ch. 417, §14, 53 Stat. 1187; Sept. 28, 1950, ch. 1093, §4, 64 Stat. 1078; Aug. 15, 1953, ch. 513, §2, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §4, 68 Stat. 1269; Pub. L. 86-123, §1(3), 2, July 31, 1959, 73 Stat. 269, 271; Pub. L. 86-127, §1(3), (4), July 31, 1959, 73 Stat. 273; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 86-685, §§2, 3, Sept. 2, 1960, 74 Stat. 733; Pub. L. 90-341, June 15, 1968, 82 Stat. 180; Pub. L. 91-469, §§31, 32, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92-507, §3, Oct. 19, 1972, 86 Stat. 911, 914; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 98-595, §1(7), Oct. 30, 1984, 98 Stat. 3131; §1104 renumbered as §1104A, Pub. L. 101-380, title IV, §4115(f)(1), Aug. 18, 1990, 104 Stat. 521; Pub. L. 103-160, title XIII, §1356(3)(C), Nov. 30, 1993, 107 Stat. 1813.
53710(a)(2) ..	46 App.:1274(b)(5).	
53710(a)(3) ..	46 App.:1274(b)(3).	
53710(a)(4) ..	46 App.:1274(b)(6).	
53710(b)	46 App.:1274(b)(7).	
53710(c)	46 App.:1274(h).	

During review of this bill, the American Bureau of Shipping, through counsel, explained that it disagrees with an existing interpretation by the Maritime Administration of language restated in subsection (a)(4)(A) of this section, and requested the Committee

to clarify that this codification should not be construed as a ratification of that regulatory interpretation. The Committee therefore states that this codification should not be construed as an expression of any opinion whatsoever concerning any such administrative interpretation.

In subsection (a)(3), the words “subject to the provisions of paragraph (2) of subsection (c) of this section” are omitted as unnecessary.

In subsection (a)(4)(B), the words “well equipped, in good repair, and in every respect seaworthy and fit for service” are substituted for “tight, stanch, strong, and well and sufficiently tackled, appareled, furnished, and equipped, and in every respect seaworthy and in good running condition and repair, and in all respects fit for service” to eliminate unnecessary words.

In subsection (b)(1), the reference to section 503 of the Merchant Marine Act, 1936, is substituted for the reference to “subchapter V of this chapter” because the relevant characteristics referred to in the text are contained in that section and because that section is part of the construction-differential subsidy program, which is not being restated.

REFERENCES IN TEXT

Section 503 of the Merchant Marine Act, 1936, referred to in subsec. (b)(1), is section 503 of act June 29, 1936, ch. 858, 49 Stat. 1985, which is set out as a note under section 53101 of this title.

§ 53711. Security interest

(a) IN GENERAL.—The Secretary may guarantee an obligation under this chapter only if the obligor conveys or agrees to convey to the Secretary a security interest the Secretary considers necessary to protect the interest of the United States Government.

(b) MULTIPLE VESSELS AND TYPES OF SECURITY.—The security interest may relate to more than one vessel and may consist of more than one type of security. If the security interest relates to more than one vessel, the obligation may have the latest maturity date allowable under section 53710(a)(3) of this title for any of the vessels used as security for the guarantee. However, the Secretary may require such payments of principal prior to maturity, with respect to all related obligations, as the Secretary considers necessary to maintain adequate security for the guarantee.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1612; Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(C), (D), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENTS NOT SHOWN IN TEXT

This section was derived from sections 1273(b) and 1274(c)(1) (1st sentence) and (2) of the former Appendix to this title, which were amended by Pub. L. 109–163, div. C, title XXXV, § 3507(a)(1)(C), (D), Jan. 6, 2006, 119 Stat. 3555. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Those provisions of the former Appendix to this title were amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53711(a)	46 App.:1273(b).	June 29, 1936, ch. 858, title XI, § 1103(b), as added June 23, 1938, ch. 600, § 46, 52 Stat. 969; Aug. 15, 1953, ch. 513, § 1, 67 Stat. 626; Sept. 3, 1954, ch. 1265, § 3, 68 Stat. 1268; June 25, 1956, ch. 438, 70 Stat. 332; Aug. 7, 1956, ch. 1026, § 1(a), (c), (d), 70 Stat. 1087; Pub. L. 91–469, § 30, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92–507, § 3, Oct. 19, 1972, 86 Stat. 910; Pub. L. 97–31, § 12(136), Aug. 6, 1981, 95 Stat. 166.
53711(b)	46 App.:1274(c)(1) (1st sentence), (2).	June 29, 1936, ch. 858, title XI, § 1104A(c)(1) (1st sentence), (2) [§ 1104A formerly § 1104], as added June 23, 1938, ch. 600, § 46, 52 Stat. 970; Aug. 4, 1939, ch. 417, § 14, 53 Stat. 1187; Sept. 28, 1950, ch. 1093, § 4, 64 Stat. 1078; Aug. 15, 1953, ch. 513, § 2, 67 Stat. 626; Sept. 3, 1954, ch. 1265, § 4, 68 Stat. 1269; Pub. L. 86–123, § 1(3), 2, July 31, 1959, 73 Stat. 269, 271; Pub. L. 86–127, § 1(3), (4), July 31, 1959, 73 Stat. 273; Pub. L. 86–518, § 1, June 12, 1960, 74 Stat. 216; Pub. L. 86–685, § 2, 3, Sept. 2, 1960, 74 Stat. 733; Pub. L. 90–341, June 15, 1968, 82 Stat. 180; Pub. L. 91–469, § 31, 32, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92–507, § 3, Oct. 19, 1972, 86 Stat. 912; Pub. L. 97–31, § 12(136), Aug. 6, 1981, 95 Stat. 166; § 1104 renumbered as § 1104A, Pub. L. 101–380, title IV, § 4115(f)(1), Aug. 18, 1990, 104 Stat. 521.

In subsection (a), the words “a security interest the Secretary considers necessary” are substituted for “such security interest, which may include a mortgage or mortgages on a vessel or vessels, as the Secretary may reasonably require” to eliminate unnecessary words.

§ 53712. Monitoring financial condition and operations of obligor

(a) IN GENERAL.—The Secretary shall monitor the financial condition and operations of the obligor on a regular basis during the term of the guarantee. The Secretary shall document the results of the monitoring on an annual or quarterly basis depending on the condition of the obligor. If the Secretary determines that the financial condition of the obligor warrants additional protections to the Secretary, the Secretary shall take appropriate action under subsection (b). If the Secretary determines that the financial condition of the obligor jeopardizes its continued ability to perform its responsibilities in connection with the guarantee of an obligation by the Secretary, the Secretary shall make an immediate determination whether default should take place and whether further measures described in subsection (b) should be taken to protect the interests of the Secretary while ensuring that program objectives are met.

(b) CONTRACT PROVISIONS TO PROTECT SECRETARY.—The Secretary shall include provisions in a loan agreement with an obligor that provides additional authority to the Secretary to take action to limit potential losses in connection with a defaulted loan or a loan that is in

jeopardy due to the deteriorating financial condition of the obligor. These provisions include requirements for additional collateral or greater equity contributions that are effective upon the occurrence of verifiable conditions relating to the obligor's financial condition or the status of the vessel or shipyard project.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1612; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), (b)(6), Jan. 6, 2006, 119 Stat. 3555, 3556.)

AMENDMENTS NOT SHOWN IN TEXT

This section was derived from subsecs. (k) and (m) of section 1274 of the former Appendix to this title, which were amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), (b)(6), Jan. 6, 2006, 119 Stat. 3555, 3556. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Subsecs. (k) and (m) of section 1274 of the former Appendix to this title were amended by striking "Secretary" each place it appears and inserting "Secretary or Administrator", and subsec. (m) was further amended by striking the last sentence [now the last sentence of subsec. (b) of this section] and inserting "If the Secretary or Administrator has waived a requirement under subsection (d) of this section [now sections 53707(d), 53708(a) to (c), and 53732(c)(1) and (d) of this title], the loan agreement shall include requirements for additional payments, collateral, or equity contributions to meet such waived requirement upon the occurrence of verifiable conditions indicating that the obligor's financial condition enables the obligor to meet the waived requirement."

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53712(a)	46 App.:1274(k).	June 29, 1936, ch. 858, title XI, §1104A(k), (m), as added Pub. L. 108-136, title XXXV, §3523, Nov. 24, 2003, 117 Stat. 1800.
53712(b)	46 App.:1274(m).	

§ 53713. Administrative fees

(a) IN GENERAL.—The Secretary shall charge and collect from the obligor fees the Secretary considers reasonable for—

- (1) investigating an application for a guarantee;
- (2) appraising property offered as security for a guarantee;
- (3) issuing a commitment;
- (4) providing services related to an escrow fund under section 53715 of this title; and
- (5) inspecting property during construction, reconstruction, or reconditioning.

(b) TOTAL FEE LIMITATION.—The total fees under subsection (a) may not exceed 0.5 percent of the original principal amount of the obligations to be guaranteed.

(c) FEES FOR INDEPENDENT ANALYSIS.—The Secretary may charge and collect fees to cover the costs of independent analysis under section 53708(d) of this title. Notwithstanding section 3302 of title 31, any fee collected under this subsection shall—

(1) be credited as an offsetting collection to the account that finances the administration of the loan guarantee program;

(2) be available for expenditure only to pay the costs of activities and services for which the fee is imposed; and

(3) remain available until expended.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1612; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from pars. (1) and (4) of section 1274(f) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1274(f) of the former Appendix to this title was amended by striking "Secretary" each place it appears and inserting "Secretary or Administrator".

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53713(a)	46 App.:1274(f)(1) (words before proviso).	June 29, 1936, ch. 858, title XI, §1104A(f)(1), (4) [§1104A formerly §1104], as added June 23, 1938, ch. 600, §46, 52 Stat. 970; Aug. 4, 1939, ch. 417, §14, 53 Stat. 1187; Sept. 28, 1950, ch. 1093, §4, 64 Stat. 1078; Aug. 15, 1953, ch. 513, §2, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §4, 68 Stat. 1269; Pub. L. 86-123, §1(3), 2, July 31, 1959, 73 Stat. 269, 271; Pub. L. 86-127, §1(3), (4), July 31, 1959, 73 Stat. 273; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 86-685, §§2, 3, Sept. 2, 1960, 74 Stat. 733; Pub. L. 90-341, June 15, 1968, 82 Stat. 180; Pub. L. 91-469, §§31, 32, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92-507, §3, Oct. 19, 1972, 86 Stat. 913; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; §1104 renumbered as §1104A, Pub. L. 101-380, title IV, §4115(f)(1), Aug. 18, 1990, 104 Stat. 521; Pub. L. 107-314, title XXXV, §3503(2), Dec. 2, 2002, 116 Stat. 2754; Pub. L. 108-136, title XXXV, §3526(2), Nov. 24, 2003, 117 Stat. 1801.
53713(b)	46 App.:1274(f)(1) (proviso).	
53713(c)	46 App.:1274(f)(4).	

§ 53714. Guarantee fees

(a) REGULATIONS.—Subject to this section, the Secretary shall prescribe regulations to assess a fee for guaranteeing an obligation under this chapter.

(b) COMPUTATION OF FEE.—

(1) IN GENERAL.—The amount of the fee for a guarantee under this chapter shall be equal to the sum of the amounts determined under paragraph (2) for the years in which the guarantee is in effect.

(2) PRESENT VALUE FOR EACH YEAR.—The amount referred to in paragraph (1) for a year in which the guarantee is in effect is the present value of the amount calculated under paragraph (3). To determine the present value,

the Secretary shall apply a discount rate determined by the Secretary of the Treasury, considering current market yields on outstanding obligations of the United States Government having periods to maturity comparable to the period to maturity for the guaranteed obligation.

(3) **CALCULATION OF AMOUNT.**—The amount referred to in paragraph (2) shall be calculated by multiplying—

(A) the estimated average unpaid principal amount of the obligation that will be outstanding during the year (excluding the average amount, other than interest, on deposit during the year in an escrow fund under section 53715 of this title); by

(B) the fee rate set under paragraph (4).

(4) **SETTING FEE RATES.**—To set the fee rate referred to in paragraph (3)(B), the Secretary shall establish a formula that—

(A) takes into account the security provided for the guaranteed obligation; and

(B) is a sliding scale based on the creditworthiness of the obligor, using—

(i) the lowest allowable rate under paragraph (5) for the most creditworthy obligors; and

(ii) the highest allowable rate under paragraph (5) for the least creditworthy obligors.

(5) **PERMISSIBLE RANGE OF RATES.**—The fee rate set under paragraph (4) shall be—

(A) for a delivered vessel or equipment, at least 0.5 percent and not more than 1 percent; and

(B) for a vessel to be constructed, reconstructed, or reconditioned or equipment to be delivered, at least 0.25 percent and not more than 0.5 percent.

(c) **WHEN FEE COLLECTED.**—A fee for the guarantee of an obligation under this chapter shall be collected not later than the date on which an amount is first paid on the obligation.

(d) **FINANCING THE FEE.**—A fee paid under this section is eligible to be financed under this chapter and shall be included in the actual cost of the obligation guaranteed.

(e) **NOT REFUNDABLE.**—A fee paid under this section is not refundable. However, an obligor shall receive credit for the amount paid for the remaining term of the obligation if the obligation is refinanced and guaranteed under this chapter after the refinancing.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1613; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1274(e) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1274(e) of the former Appendix to this title was amended by striking “Secretary” each place it appears (except in par. (2)(F) [restated in subsec. (b)(2) of this section] the

second place it appears) and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53714(a)	46 App.:1274(e)(1).	June 29, 1936, ch. 858, title XI, §1104A(e) [§1104A formerly §1104], as added June 23, 1938, ch. 600, §46, 52 Stat. 970; Aug. 4, 1939, ch. 417, §14, 53 Stat. 1187; Sept. 28, 1950, ch. 1093, §4, 64 Stat. 1078; Aug. 15, 1953, ch. 513, §2, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §4, 68 Stat. 1269; Pub. L. 86-123, §1(3), 2, July 31, 1959, 73 Stat. 269, 271; Pub. L. 86-127, §1(3), (4), July 31, 1959, 73 Stat. 273; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 86-685, §§2, 3, Sept. 2, 1960, 74 Stat. 733; Pub. L. 90-341, June 15, 1968, 82 Stat. 180; Pub. L. 91-469, §§31, 32, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92-507, §3, Oct. 19, 1972, 86 Stat. 913; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 98-595, §1(12), Oct. 30, 1984, 98 Stat. 3131; §1104 renumbered as §1104A, Pub. L. 101-380, title IV, §4115(f)(1), Aug. 18, 1990, 104 Stat. 521; Pub. L. 104-239, §13(c), Oct. 8, 1996, 110 Stat. 3136.
53714(b)	46 App.:1274(e)(2).	
53714(c)	46 App.:1274(e)(3).	
53714(d)	46 App.:1274(e)(5).	
53714(e)	46 App.:1274(e)(4).	

§ 53715. Escrow fund

(a) **IN GENERAL.**—If the proceeds of an obligation guaranteed under this chapter are to be used to finance the construction, reconstruction, or reconditioning of a vessel that will serve as security for a guarantee under this chapter, the Secretary may accept and hold in escrow, under an escrow agreement with the obligor, a portion of the proceeds of all obligations guaranteed under this chapter whose proceeds are to be so used which is equal to—

(1) the excess of—

(A) the principal amount of all obligations whose proceeds are to be so used; over

(B) 75 percent or 87.5 percent, whichever is applicable under section 53709(b) of this title, of the amount paid by or for the account of the obligor for the construction, reconstruction, or reconditioning of the vessel; plus

(2) any interest the Secretary may require on the amount described in paragraph (1).

(b) **SECURITY INVOLVING BOTH UNCOMPLETED AND DELIVERED VESSELS.**—If the security for the guarantee of an obligation relates both to a vessel to be constructed, reconstructed, or reconditioned and to a delivered vessel, the principal amount of the obligation shall be prorated for purposes of subsection (a) under regulations prescribed by the Secretary.

(c) **DISBURSEMENT BEFORE TERMINATION OF AGREEMENT.**—

(1) **PURPOSES.**—The Secretary shall disburse amounts in the escrow fund, as specified in the escrow agreement, to—

(A) pay amounts the obligor is obligated to pay for—

(i) the construction, reconstruction, or reconditioning of a vessel used as security for the guarantee; and

(ii) interest on the obligations;

(B) redeem the obligations under a refinancing guaranteed under this chapter; and

(C) pay any excess interest deposits to the obligor at times provided for in the escrow agreement.

(2) MANNER OF PAYMENT.—If a payment becomes due under the guarantee before the termination of the escrow agreement, the amount in the escrow fund at the time the payment becomes due, including realized income not yet paid to the obligor, shall be paid into the appropriate account under section 53717 of this title. The amount shall be credited against amounts due or to become due from the obligor to the Secretary on the guaranteed obligations or, to the extent not so required, be paid to the obligor.

(d) PAYMENTS REQUIRED BEFORE DISBURSEMENT.—

(1) IN GENERAL.—No disbursement shall be made under subsection (c) to any person until the total amount paid by or for the account of the obligor from sources other than the proceeds of the obligation equals at least 25 percent or 12.5 percent, whichever is applicable under section 53709(b) of this title, of the aggregate actual cost of the vessel, as previously approved by the Secretary. If the aggregate actual cost of the vessel has increased since the Secretary's initial approval or if it increases after the first disbursement is permitted under this subsection, then no further disbursements shall be made under subsection (c) until the total amount paid by or for the account of the obligor from sources other than the proceeds of the obligation equals at least 25 percent or 12.5 percent, as applicable, of the increase, as determined by the Secretary, in the aggregate actual cost of the vessel. This paragraph does not require the Secretary to consent to finance any increase in actual cost unless the Secretary determines that such an increase in the obligation meets all the terms and conditions of this chapter or other applicable law.

(2) DOCUMENTED PROOF OF PROGRESS REQUIREMENT.—The Secretary shall, by regulation, establish a transparent, independent, and risk-based process for verifying and documenting the progress of projects under construction before disbursing guaranteed loan funds. At a minimum, the process shall require documented proof of progress in connection with the construction, reconstruction, or reconditioning of a vessel or vessels before disbursements are made from the escrow fund. The Secretary may require that the obligor provide a certificate from an independent party certifying that the requisite progress in construction, reconstruction, or reconditioning has taken place.

(e) DISBURSEMENT ON TERMINATION OF AGREEMENT.—

(1) IN GENERAL.—If a payment has not become due under the guarantee before the ter-

mination of the escrow agreement, the balance of the escrow fund at the time of termination shall be disbursed to—

(A) prepay the excess of—

(i) the principal amount of all obligations whose proceeds are to be used to finance the construction, reconstruction, or reconditioning of the vessel used or to be used as security for the guarantee; over

(ii) 75 percent or 87.5 percent, whichever is applicable under section 53709(b) of this title, of the actual cost of the vessel to the extent paid; and

(B) pay interest on that prepaid amount of principal.

(2) REMAINING BALANCE.—Any remaining balance of the escrow fund shall be paid to the obligor.

(f) INVESTMENT.—The Secretary may invest and reinvest any part of an escrow fund in obligations of the United States Government with maturities such that the escrow fund will be available as required for purposes of the escrow agreement. Investment income shall be paid to the obligor when received.

(g) TERMS TO PROTECT GOVERNMENT.—The escrow agreement shall contain other terms the Secretary considers necessary to protect fully the interests of the Government.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1614; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(H), (3), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENTS NOT SHOWN IN TEXT

This section was derived from section 1279a of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(H), (3), Jan. 6, 2006, 119 Stat. 3555. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1279a of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator” and by striking “Secretary’s” in subsec. (g)(1) [now subsec. (d)(1) of this section] and inserting “Secretary’s or Administrator’s”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53715(a)	46 App.:1279a(a) (less proviso).	June 29, 1936, ch. 858, title XI, §1108, formerly §1111, as added Pub. L. 86-127, §1(2), July 31, 1959, 73 Stat. 272; renumbered Pub. L. 92-507, §5, Oct. 19, 1972, 86 Stat. 916; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 108-136, title XXXV, §3521(a), Nov. 24, 2003, 117 Stat. 1799.
53715(b)	46 App.:1279a(a) (proviso).	
53715(c)	46 App.:1279a(b).	
53715(d)	46 App.:1279a(g).	
53715(e)	46 App.:1279a(c).	
53715(f)	46 App.:1279a(d), (e).	
53715(g)	46 App.:1279a(f).	

§ 53716. Deposit fund

(a) IN GENERAL.—There is a deposit fund in the Treasury for purposes of this section. The Sec-

retary, in accordance with an agreement under subsection (b), may deposit into and hold in the fund cash belonging to an obligor to serve as collateral for a guarantee made under this chapter with respect to the obligor.

(b) AGREEMENT.—The Secretary and an obligor shall make a reserve fund or other collateral account agreement to govern the deposit, withdrawal, retention, use, and reinvestment of cash of the obligor held in the fund. The agreement shall contain—

(1) terms and conditions required by this section;

(2) terms that grant to the United States Government a security interest in all amounts deposited into the fund; and

(3) any additional terms considered by the Secretary to be necessary to protect fully the interests of the Government.

(c) INVESTMENT.—The Secretary may invest and reinvest any part of the amounts in the fund in obligations of the Government with maturities such that amounts in the fund will be available as required for purposes of the agreement under subsection (b). Cash balances in the fund in excess of current requirements shall be maintained in a form of uninvested funds, and the Secretary of the Treasury shall pay interest on these funds.

(d) WITHDRAWALS.—

(1) IN GENERAL.—Cash deposited into the fund may not be withdrawn without the consent of the Secretary.

(2) USE OF INCOME.—Subject to paragraph (3), the Secretary may pay any income earned on cash of an obligor deposited into the fund in accordance with the agreement with the obligor under subsection (b).

(3) RETENTION AGAINST DEFAULT.—The Secretary may retain and offset any or all of the cash of an obligor in the fund, and any income realized thereon, as part of the Secretary's recovery against the obligor in case of a default by the obligor on an obligation.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1616; Pub. L. 109-163, div. C, title XXXV, § 3507(a)(1)(H), (3), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENTS NOT SHOWN IN TEXT

This section was derived from section 1279b of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, § 3507(a)(1)(H), (3), Jan. 6, 2006, 119 Stat. 3555. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1279b of the former Appendix to this title was amended by striking “Secretary” each place it appears (except the second place in subsec. (c) [now subsec. (c) of this section]) and inserting “Secretary or Administrator” and by striking “Secretary’s” in subsec. (d)(3) [now subsec. (d)(3) of this section] and inserting “Secretary’s or Administrator’s”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53716	46 App.:1279b.	June 29, 1936, ch. 858, title XI, § 1109, as added Pub. L. 107-107, title XXXV, § 3503, Dec. 28, 2001, 115 Stat. 1392.

In subsection (a), the word “established” is omitted for consistency with other codified titles of the United States Code.

§ 53717. Management of funds in the Treasury

(a) DEFINITION.—In this section, the term “FCRA” means the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq.).

(b) LOAN GUARANTEES BY SECRETARY OF TRANSPORTATION.—

(1) WHEN NOT SUBJECT TO FCRA.—The Secretary of Transportation shall account for payments and disbursements involving obligations guaranteed under this chapter and not subject to FCRA in an account in the Treasury entitled the Federal Ship Financing Fund Liquidating Account (a liquidating account as defined in FCRA).

(2) WHEN SUBJECT TO FCRA.—The Secretary of Transportation shall account for payments and disbursements involving obligations guaranteed under this chapter and subject to FCRA in a separate account in the Treasury entitled the Federal Ship Financing Guaranteed Loan Financing Account (a financing account as defined in FCRA).

(c) LOAN GUARANTEES BY SECRETARY OF COMMERCE.—

(1) WHEN NOT SUBJECT TO FCRA.—The Secretary of Commerce shall account for payments and disbursements involving obligations guaranteed under this chapter and not subject to FCRA in a separate account in the Treasury established for this purpose.

(2) WHEN SUBJECT TO FCRA.—The Secretary of Commerce shall account for payments and disbursements involving obligations guaranteed under this chapter and subject to FCRA in a separate account in the Treasury established for this purpose.

(d) DIRECT LOANS BY SECRETARY OF COMMERCE.—The Secretary of Commerce shall account for payments and disbursements involving direct loans made under this chapter in a separate account in the Treasury established for this purpose.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1616; Pub. L. 109-163, div. C, title XXXV, § 3507(a)(1)(B), (D), (c)(2), Jan. 6, 2006, 119 Stat. 3555, 3556.)

AMENDMENTS NOT SHOWN IN TEXT

This section was derived from sections 1272, 1274(g), and 1280 of the former Appendix to this title, which were amended by Pub. L. 109-163, div. C, title XXXV, § 3507(a)(1)(B), (D), (c)(2), Jan. 6, 2006, 119 Stat. 3555, 3556. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Sections 1272 and 1274(g) of the former Appendix to this title were amended by striking “Secretary”

each place it appears and inserting “Secretary or Administrator”, and section 1280 of the former Appendix to this title was amended by inserting “or the Administrator of the Maritime Administration” after “Secretary”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53717	46 App.:1272.	June 29, 1936, ch. 858, title XI, §1102, as added June 23, 1938, ch. 600, §46, 52 Stat. 969; Sept. 3, 1954, ch. 1265, §2, 68 Stat. 1268; Pub. L. 86-123, §1(2), July 31, 1959, 73 Stat. 269; Pub. L. 92-507, §2, Oct. 19, 1972, 86 Stat. 910; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166.
	46 App.:1274(g).	June 29, 1936, ch. 858, title XI, §1104A(g) [§1104A formerly §1104], as added June 23, 1938, ch. 600, §46, 52 Stat. 970; Aug. 4, 1939, ch. 417, §14, 53 Stat. 1187; Sept. 28, 1950, ch. 1093, §4, 64 Stat. 1078; Aug. 15, 1953, ch. 513, §2, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §4, 68 Stat. 1269; Pub. L. 86-123, §1(3), 2, July 31, 1959, 73 Stat. 269, 271; Pub. L. 86-127, §1(3), (4), July 31, 1959, 73 Stat. 273; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 86-685, §§2, 3, Sept. 2, 1960, 74 Stat. 733; Pub. L. 90-341, June 15, 1968, 82 Stat. 180; Pub. L. 91-469, §§31, 32, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92-507, §3, Oct. 19, 1972, 86 Stat. 914; Pub. L. 96-561, title II, §220(3)(D), Dec. 22, 1980, 94 Stat. 3294; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 97-35, title XVI, §1606(d), Aug. 13, 1981, 95 Stat. 752; §1104 renumbered as §1104A, Pub. L. 101-380, title IV, §4115(f)(1), Aug. 18, 1990, 104 Stat. 521.
	46 App.:1280.	Pub. L. 85-469, title I, §101 (par. under heading “Federal Ship Mortgage Insurance Fund”), June 25, 1958, 72 Stat. 231; Pub. L. 97-31, §12(137), Aug. 6, 1981, 95 Stat. 166.

The Federal Ship Financing Fund which had been created by 46 App. U.S.C. 1272 is obsolete as a result of the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq.). This section codifies the current requirements and practices for the management of funds under this chapter, based on the requirements of that Act.

REFERENCES IN TEXT

The Federal Credit Reform Act of 1990, referred to in subsec. (a), is title V of Pub. L. 93-344, as added by Pub. L. 101-508, title XIII, §13201(a), Nov. 5, 1990, 104 Stat. 1388-609, which is classified generally to subchapter III (§661 et seq.) of chapter 17A of Title 2, The Congress. For complete classification of this Act to the Code, see Short Title note set out under section 621 of Title 2 and Tables.

§ 53718. Annual report to Congress

The Secretary of Transportation shall report to Congress annually on the loan guarantee program under this chapter. Each report shall include—

- (1) the size, in dollars, of the portfolio of loans guaranteed;
- (2) the size, in dollars, of projects in the portfolio facing financial difficulties;
- (3) the number and type of projects covered;

- (4) a profile of pending loan applications;
- (5) the amount of appropriations available for new guarantees;
- (6) a profile of each project approved since the last report; and
- (7) a profile of any defaults since the last report.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1617; Pub. L. 109-163, div. C, title XXXV, §3507(c)(3), Jan. 6, 2006, 119 Stat. 3556.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1280b of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(c)(3), Jan. 6, 2006, 119 Stat. 3556. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1280b of the former Appendix to this title was amended by striking “Secretary of Transportation” and inserting “Administrator of the Maritime Administration”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53718	46 App.:1280b.	Pub. L. 108-136, title XXXV, §3527, Nov. 24, 2003, 117 Stat. 1802.

SUBCHAPTER II—DEFAULT PROVISIONS

§ 53721. Rights of obligee

(a) DEMANDS BY OBLIGEEES.—Except as provided in subsection (c), if an obligor has continued in default for 30 days in the payment of principal or interest on an obligation guaranteed under this chapter, the obligee or the obligee’s agent may demand that the Secretary pay the unpaid principal amount of the obligation and the unpaid interest on the obligation to the date of payment. The demand must be made within the earlier of—

- (1) a period that may be specified in the guarantee or a related agreement; or
- (2) 90 days from the date of the default.

(b) PAYMENTS BY SECRETARY.—

(1) IN GENERAL.—If a demand is made under subsection (a), the Secretary shall pay to the obligee or the obligee’s agent the unpaid principal amount of the obligation and the unpaid interest on the obligation to the date of payment. Payment shall be made within the earlier of—

- (A) a period that may be specified in the guarantee or a related agreement; or
- (B) 30 days from the date of the demand.

(2) IF NO EXISTING DEFAULT.—The Secretary is not required to make payment under this subsection if, within the appropriate period under paragraph (1), the Secretary finds that the obligor was not in default or that the default was remedied before the demand.

(c) ASSUMPTION OF RIGHTS AND OBLIGATIONS BEFORE DEMAND.—An obligee or the obligee’s agent may not demand payment under this section if the Secretary, before the demand and on terms that may be provided in the obligation or

a related agreement, has assumed the obligor's rights and duties under the obligation and any related agreement and made any payment in default. However, the guarantee of the obligation remains in effect after the Secretary's assumption.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1617; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(C), (F), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENTS NOT SHOWN IN TEXT

This section was derived from sections 1273(e) (last sentence) and 1275(a) of the former Appendix to this title, which were amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(C), (F), Jan. 6, 2006, 119 Stat. 3555. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Those provisions of the former Appendix to this title were amended by striking "Secretary" each place it appears and inserting "Secretary or Administrator".

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53721(a)	46 App.:1275(a) (1st sentence less parenthetical).	June 29, 1936, ch. 858, title XI, §1105(a), as added June 23, 1938, ch. 600, §46, 52 Stat. 971; Aug. 15, 1953, ch. 513, §3, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §5, 68 Stat. 1272; Aug. 7, 1956, ch. 1026, §1(e)-(g), 70 Stat. 1087; Pub. L. 85-520, July 15, 1958, 72 Stat. 358; Pub. L. 91-469, §33, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92-507, §3, Oct. 19, 1972, 86 Stat. 914; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 98-595, §1(8), Oct. 30, 1984, 98 Stat. 3131.
53721(b)(1) ..	46 App.:1275(a) (last sentence less proviso).	
53721(b)(2) ..	46 App.:1275(a) (last sentence proviso).	
53721(c)	46 App.:1273(e) (last sentence).	June 29, 1936, ch. 858, title XI, §1103(e) (last sentence), as added Pub. L. 98-595, §1(1), Oct. 30, 1984, 98 Stat. 3130.
	46 App.:1275(a) (1st sentence parenthetical).	

§ 53722. Actions by Secretary

(a) GENERAL AUTHORITY.—On default under an obligation or related agreement between the Secretary and the obligor, the Secretary, on terms that may be provided in the obligation or agreement, may—

(1) assume the obligor's rights and duties under the obligation or agreement, make any payment in default, and notify the obligee or the obligee's agent of the default and the Secretary's assumption; or

(2) notify the obligee or the obligee's agent of the default.

(b) DEMANDS BY OBLIGEEES.—

(1) DEMAND.—If the Secretary proceeds under subsection (a)(2), the obligee or the obligee's agent may demand that the Secretary pay the unpaid principal amount of the obligation and the unpaid interest on the obligation. The demand must be made within the earlier of—

(A) a period that may be specified in the guarantee or a related agreement; or

(B) 60 days from the date of the Secretary's notice.

(2) PAYMENT.—If a demand is made under paragraph (1), the Secretary shall pay to the obligee or the obligee's agent the unpaid principal amount of the obligation and the unpaid interest on the obligation to the date of payment. Payment shall be made within the earlier of—

(A) a period that may be specified in the guarantee or a related agreement; or

(B) 30 days from the date of the demand.

(c) CONTINUED EFFECT OF GUARANTEE.—A guarantee of an obligation remains in effect after an assumption of the obligation by the Secretary.

(d) ADDITIONAL RESPONSES.—If there is a default on an obligation, the Secretary shall conduct operations under this chapter in a manner that—

(1) maximizes the net present value return from the sale or disposition of assets associated with the obligation, including prompt referral to the Attorney General for collection as appropriate;

(2) minimizes the amount of any loss realized in the resolution of the guarantee;

(3) ensures adequate competition and fair and consistent treatment of offerors; and

(4) requires appraisal of assets by an independent appraiser.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1618; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(C), (F), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENTS NOT SHOWN IN TEXT

Subsecs. (a) to (c) of this section were derived from sections 1273(e) (last sentence) and 1275(b) of the former Appendix to this title, which were amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(C), (F), Jan. 6, 2006, 119 Stat. 3555. For applicability of those amendments to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Those provisions of the former Appendix to this title were amended by striking "Secretary" each place it appears and inserting "Secretary or Administrator".

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53722(a), (b)	46 App.:1275(b).	June 29, 1936, ch. 858, title XI, §1105(b), as added June 23, 1938, ch. 600, §46, 52 Stat. 971; Aug. 15, 1953, ch. 513, §3, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §5, 68 Stat. 1272; Aug. 7, 1956, ch. 1026, §1(e)-(g), 70 Stat. 1087; Pub. L. 85-520, July 15, 1958, 72 Stat. 358; Pub. L. 91-469, §33, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92-507, §3, Oct. 19, 1972, 86 Stat. 914; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 98-595, §1(9), Oct. 30, 1984, 98 Stat. 3131.
53722(c)	46 App.:1273(e) (last sentence).	June 29, 1936, ch. 858, title XI, §1103(e) (last sentence), as added Pub. L. 98-595, §1(1), Oct. 30, 1984, 98 Stat. 3130.

HISTORICAL AND REVISION NOTES—CONTINUED

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53722(d)	46 App.:1275(f).	June 29, 1936, ch. 858, title XI, §1105(f), as added Pub. L. 108-136, title XXXV, §3524, Nov. 24, 2003, 117 Stat. 1801.

In subsection (a), before paragraph (1), the words “an obligation or related agreement” are substituted for “a mortgage, loan agreement, or other security agreement” for consistency in the revised chapter.

§ 53723. Payments by Secretary and issuance of obligations

(a) CASH PAYMENT.—Amounts required to be paid by the Secretary under section 53721 or 53722 of this title shall be paid in cash.

(b) ISSUANCE OF OBLIGATIONS.—If amounts in the appropriate account under section 53717 of this title are not sufficient to make a payment required under section 53721 or 53722 of this title, the Secretary may issue obligations to the Secretary of the Treasury. The Secretary, with the approval of the Secretary of the Treasury, shall prescribe the form, denomination, maturity, and other terms (except the interest rate) of the obligations. The Secretary of the Treasury shall set the interest rate for the obligations, considering the current average market yield on outstanding marketable obligations of the United States Government of comparable maturities during the month before the obligations are issued.

(c) PURCHASE OF OBLIGATIONS.—The Secretary of the Treasury shall purchase the obligations issued under this section. To purchase the obligations, the Secretary of the Treasury may use as a public debt transaction the proceeds from the sale of securities issued under chapter 31 of title 31. The purposes for which securities may be issued under that chapter are extended to include the purchase of obligations under this subsection. The Secretary of the Treasury may sell obligations purchased under this section. A redemption, purchase, or sale of the obligations by the Secretary of the Treasury is a public debt transaction of the Government.

(d) DEPOSITS AND REDEMPTIONS.—The Secretary shall deposit amounts borrowed under this section in the appropriate account under section 53717 of this title and make redemptions of the obligations from that account.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1618; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(G), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1275(d) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(F), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1275(d) of the former Appendix to this title was amended by striking “Secretary” the first, second, third, fifth, and last places it appears and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53723	46 App.:1275(d).	June 29, 1936, ch. 858, title XI, §1105(d), as added June 23, 1938, ch. 600, §46, 52 Stat. 972; Aug. 15, 1953, ch. 513, §3, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §5, 68 Stat. 1272; Aug. 7, 1956, ch. 1026, §1(e)-(g), 70 Stat. 1087; Pub. L. 85-520, July 15, 1958, 72 Stat. 358; Pub. L. 91-469, §33, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92-507, §3, Oct. 19, 1972, 86 Stat. 914; Pub. L. 96-561, title II, §220(4), Dec. 22, 1980, 94 Stat. 3294; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 97-35, title XVI, §1606(e), Aug. 13, 1981, 95 Stat. 752.

In subsections (b) and (d), the words “appropriate account under section 53717 of this title” are substituted for “Federal Ship Financing Fund” because the accounts under section 53717 replace the Federal Ship Financing Fund. See the explanation for section 53717.

§ 53724. Rights to secured property

(a) ACQUISITION OF SECURITY RIGHTS.—When the Secretary makes a payment on, or assumes, an obligation under section 53721 or 53722 of this title, the Secretary acquires the rights under the security agreement with the obligor in the security held by the Secretary to guarantee the obligation.

(b) USE AND DISPOSITION OF SECURED PROPERTY.—Notwithstanding any other law relating to the acquisition, handling, or disposal of property by the United States Government, the Secretary has the right, in the Secretary’s discretion, to complete, reconstruct, recondition, renovate, repair, maintain, operate, charter, or sell any property acquired under a security agreement with an obligor, or to place a vessel so acquired in the National Defense Reserve Fleet. The terms of a sale under this subsection shall be as approved by the Secretary.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1619; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(F), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1275(c) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(F), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1275(c) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53724	46 App.:1275(c).	June 29, 1936, ch. 858, title XI, §1105(c), as added June 23, 1938, ch. 600, §46, 52 Stat. 971; Aug. 15, 1953, ch. 513, §3, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §5, 68 Stat. 1272; Aug. 7, 1956, ch. 1026, §1(e)-(g), 70 Stat. 1087; Pub. L. 85-520, July 15, 1958, 72 Stat. 358; Pub. L. 91-469, §33, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92-507, §3, Oct. 19, 1972, 86 Stat. 914; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 98-595, §1(10), Oct. 30, 1984, 98 Stat. 3131.

§ 53725. Actions against obligor

(a) IN GENERAL.—For a default under a guaranteed obligation or related agreement, the Secretary may take any action against the obligor or another liable party that the Secretary considers necessary to protect the interests of the United States Government. A civil action may be brought in the name of the United States or the obligee. The obligee shall make available to the Government all records and evidence necessary to prosecute the action.

(b) TITLE, POSSESSION, AND PURCHASE.—

(1) IN GENERAL.—The Secretary may—

(A) accept a conveyance of title to and possession of property from the obligor or another party liable to the Secretary; and

(B) purchase the property for an amount not greater than the unpaid principal amount of the obligation and interest thereon.

(2) PAYMENT OF EXCESS.—If, through the sale of property, the Secretary receives an amount of cash greater than the unpaid principal amount of the obligation, the unpaid interest on the obligation, and the expenses of collecting those amounts, the Secretary shall pay the excess to the obligor.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1619; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(F), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1275(e) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(F), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1275(e) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53725	46 App.:1275(e).	June 29, 1936, ch. 858, title XI, §1105(e), as added June 23, 1938, ch. 600, §46, 52 Stat. 971; Aug. 15, 1953, ch. 513, §3, 67 Stat. 626; Sept. 3, 1954, ch. 1265, §5, 68 Stat. 1272; Aug. 7, 1956, ch. 1026, §1(e)-(g), 70 Stat. 1087; Pub. L. 85-520, July 15, 1958, 72 Stat. 358; Pub. L. 91-469, §33, Oct. 21, 1970, 84 Stat. 1035; restated Pub. L. 92-507, §3, Oct. 19, 1972, 86 Stat. 915; Pub. L. 97-31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 98-595, §1(11), Oct. 30, 1984, 98 Stat. 3131.

In subsection (a), the words “may take any action” are substituted for “shall take such action . . . that, in his discretion, may be required” for clarity and to eliminate unnecessary words.

SUBCHAPTER III—PARTICULAR PROJECTS

§ 53731. Commercial demonstration ocean thermal energy conversion facilities and plantships

(a) IN GENERAL.—Under subchapter I of this chapter, the Secretary may guarantee or make a commitment to guarantee the payment of the principal of and interest on an obligation that aids in financing (including reimbursement of an obligor for expenditures previously made for) the construction, reconstruction, or reconditioning of a commercial demonstration ocean thermal energy conversion facility or plantship. This section may be used to guarantee obligations for a total of not more than 5 separate facilities and plantships or a demonstrated 400 megawatt capacity, whichever comes first.

(b) APPLICABILITY OF OTHER PROVISIONS.—Except as otherwise provided in this section, a guarantee or commitment to guarantee under this section is subject to all the provisions applicable to a guarantee or commitment to guarantee under subchapter I of this chapter.

(c) ECONOMIC SOUNDNESS.—The required determination of economic soundness under section 53708 of this title applies to a guarantee or commitment to guarantee for that portion of a facility or plantship not to be supported with appropriated Federal funds.

(d) REASONABLENESS OF RISK.—A guarantee or commitment to guarantee may not be made under this section unless the Secretary of Energy, in consultation with the Secretary, certifies to the Secretary that, for the facility or plantship for which the guarantee or commitment to guarantee is sought, there is sufficient guarantee of performance and payment to lower the risk to the United States Government to a reasonable level. In deciding whether to issue such a certification, the Secretary of Energy shall consider—

(1) the successful demonstration of the technology to be used in the facility at a scale sufficient to establish the likelihood of technical and economic viability in the proposed market; and

(2) the need of the United States to develop new and renewable sources of energy and the benefits to be realized from the construction

and successful operation of the facility or plantship.

(e) AMOUNT OF OBLIGATION.—The total principal amount of an obligation guaranteed under this section may not exceed 87.5 percent of—

(1) the actual cost or depreciated actual cost of the facility or plantship; or

(2) if the facility or plantship is supported with appropriated Federal funds, the total principal amount of that portion of the actual cost or depreciated actual cost for which the obligor is obligated to secure financing under the agreement between the obligor and the Department of Energy or other Federal agency.

(f) OTEC DEMONSTRATION FUND.—

(1) IN GENERAL.—There is a special subaccount, known as the OTEC Demonstration Fund, in the account established under section 53717(b)(1) of this title.

(2) USE AND OPERATION.—The OTEC Demonstration Fund shall be used for obligation guarantees authorized under this section that do not qualify under subchapter I of this chapter. Except as otherwise provided in this section, the OTEC Demonstration Fund shall be operated in the same manner as the parent account. However—

(A) amounts received by the Secretary under subchapter I of this chapter related to guarantees or commitments to guarantee made under this section shall be deposited only in the OTEC Demonstration Fund; and

(B) when obligations issued by the Secretary under section 53723 of this title related to the OTEC Demonstration Fund are outstanding, any amount received by the Secretary under subchapter I of this chapter related to ocean thermal energy conversion facilities or plantships shall be deposited in the OTEC Demonstration Fund.

(3) TRANSFERS.—Assets in the OTEC Demonstration Fund may be transferred to the parent account when and to the extent the balance in the OTEC Demonstration Fund exceeds the total guarantees or commitments to guarantee made under this section then outstanding, plus obligations issued by the Secretary under section 53723 of this title related to the OTEC Demonstration Fund.

(4) LIABILITY.—The parent account is not liable for a guarantee or commitment to guarantee made under this section.

(5) MAXIMUM UNPAID PRINCIPAL AMOUNT.—The total unpaid principal amount of the obligations guaranteed with the backing of the OTEC Demonstration Fund and outstanding at any one time may not exceed \$1,650,000,000.

(g) ISSUANCE AND PAYMENT OF OBLIGATIONS.—Section 53723 of this title applies to the OTEC Demonstration Fund. However, obligations issued by the Secretary under that section related to the OTEC Demonstration Fund shall be payable only from proceeds realized by the OTEC Demonstration Fund.

(h) TAXATION OF INTEREST.—Interest on an obligation guaranteed under this section shall be included in gross income under chapter 1 of the Internal Revenue Code of 1986 (26 U.S.C. ch. 1).

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1620; Pub. L. 109–163, div. C, title XXXV, §3507(a)(2)(H), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1279c of the former Appendix to this title, which was amended by Pub. L. 109–163, div. C, title XXXV, §3507(a)(2)(H), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109–304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1279c of the former Appendix to this title was amended by striking “Secretary” each place it appears except the first and fourth places in subsection (b) and inserting “Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53731(a)	46 App.:1279c(a) (1st sentence), (1), (4).	June 29, 1936, ch. 858, title XI, §1110, as added Pub. L. 96–320, title II, §203(a), Aug. 3, 1980, 94 Stat. 992; Pub. L. 97–31, §12(136), Aug. 6, 1981, 95 Stat. 166; Pub. L. 97–35, title XVI, §1606(f), Aug. 13, 1981, 95 Stat. 752; Pub. L. 99–514, §2, Oct. 22, 1986, 100 Stat. 2095; Pub. L. 104–239, §11(3), Oct. 8, 1996, 110 Stat. 3134.
53731(b)	46 App.:1279c(a) (2d sentence words before (1)).	
53731(c)	46 App.:1279c(a)(2).	
53731(d)	46 App.:1279c(b).	
53731(e)	46 App.:1279c(a)(3).	
53731(f)	46 App.:1279c(c).	
53731(g)	46 App.:1279c(d).	
53731(h)	46 App.:1279c(e).	

In subsection (a), the words “upon such terms as he shall prescribe” are omitted as unnecessary because section 53702(a) of the revised title provides the Secretary authority to prescribe the terms. The text of 46 App. U.S.C. 1279c(a)(1) is omitted as obsolete.

In subsection (f)(1), the words “account established under section 53717(b)(1) of this title” are substituted for “Federal Ship Financing Fund” because the accounts under section 53717 replace the Federal Ship Financing Fund. See the explanation for section 53717.

In subsection (f)(2)(B), the word “conversion” is substituted for “conversional” to correct an apparent error.

§ 53732. Eligible export vessels

(a) APPLICABLE TERMS.—The Secretary may guarantee an obligation for an eligible export vessel in accordance with—

(1) the terms applicable under this chapter for vessels documented under the laws of the United States; or

(2) other terms the Secretary determines are more favorable than those terms and compatible with export credit terms offered by foreign governments for the sale of vessels built in foreign shipyards.

(b) INTERAGENCY COUNCIL.—

(1) ESTABLISHMENT.—There is an interagency council to carry out this section.

(2) COMPOSITION.—The council is composed of the following individuals or their designees:

(A) The Secretary of Transportation, who is the chairman of the council.

(B) The Secretary of the Treasury.

(C) The Secretary of State.

(D) The Assistant to the President for Economic Policy.

(E) The United States Trade Representative.

(F) The President and Chairman of the Export-Import Bank of the United States.

(3) FUNCTIONS.—The council shall—

(A) obtain information on shipbuilding loan guarantees, direct and indirect subsidies, and other favorable treatment of shipyards provided by foreign governments to shipyards in competition with United States shipyards;

(B) consult regularly with United States shipbuilders to obtain the essential information about international shipbuilding competition on which to set terms for loan guarantees under subsection (a)(2); and

(C) provide guidance to the Secretary in establishing terms for loan guarantees under subsection (a)(2).

(4) ANNUAL REPORT.—Not later than January 31 of each year, the Secretary shall submit to Congress a report on activities of the Secretary under this section during the preceding year. The report shall include—

(A) documentation of sources of information about assistance by governments of other countries to shipyards in those countries; and

(B) a summary of recommendations made to the Secretary during the preceding year about applications submitted to the Secretary during that year for loan guarantees to construct eligible export vessels.

(c) REQUIRED FINDINGS.—

(1) BENEFIT TO SHIPBUILDING INDUSTRY.—The Secretary may not guarantee or make a commitment to guarantee an obligation for an eligible export vessel unless the Secretary finds that the construction, reconstruction, or reconditioning of the vessel will aid in the transition of United States shipyards to commercial activities or will preserve shipbuilding assets that would be essential in time of war or national emergency.

(2) PRIORITY OF DOCUMENTED VESSELS.—The Secretary may not make a commitment to guarantee an obligation for an eligible export vessel unless the Secretary determines that making the commitment will not result in denial of an economically sound application for a commitment to guarantee an obligation for a vessel documented under the laws of the United States and operating in the domestic or foreign commerce of the United States. The Secretary has sole discretion in making the determination. In making the determination, the Secretary shall consider—

(A) the status and economic soundness of pending applications for commitments to guarantee obligations for vessels documented under the laws of the United States that are operating or will be operating in the domestic or foreign commerce of the United States; and

(B) the amount of guarantee authority available.

(d) RESTRICTION ON TRANSFER OF VESSEL.—The Secretary may not guarantee or make a com-

mitment to guarantee an obligation for an eligible export vessel unless the owner of the vessel agrees with the Secretary that the vessel will not be transferred to a country designated by the Secretary of Defense as a country whose interests are hostile to the interests of the United States.

(e) REVIEW BY SECRETARY OF DEFENSE.—

(1) NOTIFICATION.—The Secretary shall promptly notify the Secretary of Defense of the receipt of an application for a loan guarantee for an eligible export vessel.

(2) DISAPPROVAL.—The Secretary of Defense, within 30 days after receiving the notice, may disapprove the guarantee based on an assessment of the potential use of the vessel in a manner that may harm the national security interests of the United States. The Secretary may not disapprove a guarantee solely because of the type of vessel to be constructed.

(3) DELEGATION.—The authority of the Secretary of Defense to disapprove a guarantee under this subsection may be delegated only to a civilian officer of the Department of Defense appointed by the President by and with the advice and consent of the Senate.

(4) PROHIBITION.—The Secretary may not make a loan guarantee disapproved by the Secretary of Defense under this subsection.

(f) EXPIRATION OF AUTHORITY.—The Secretary may not issue a commitment to guarantee an obligation for an eligible export vessel under this chapter after the last date on which such a commitment may be issued under any treaty or convention entered into after November 30, 1993, that prohibits guarantee of such an obligation.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1621; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(C), (D), (2)(E), (F), (I), (J), (b)(3)(A), (5), (8), Jan. 6, 2006, 119 Stat. 3555, 3556.)

AMENDMENTS NOT SHOWN IN TEXT

Subsection (a) of this section was derived from section 1279d(a) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(2)(I), Jan. 6, 2006, 119 Stat. 3555. Section 1279d(a) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Administrator”.

Subsection (b) of this section was derived from section 1279d(b) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(2)(I), (J), (b)(8), Jan. 6, 2006, 119 Stat. 3555, 3556. Section 1279d(b) of the former Appendix to this title was amended by striking “Secretary” each place it appears in par. (2) [now pars. (3)(A) and (C)] and par. (4) (except the first) and inserting “Administrator” and by striking “Secretary of Transportation” each place it appears and inserting “Administrator”.

Subsection (c)(1) of this section was derived from section 1274(d)(3)(A) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(D), (2)(E), Jan. 6, 2006, 119 Stat. 3555. Section 1274(d)(3)(A) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator” and by striking “Secretary” each place it appears and inserting “Administrator”.

Subsections (c)(2) and (f) of this section were derived from section 1273(g) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, § 3507(a)(1)(C), Jan. 6, 2006, 119 Stat. 3555, 3556. Section 1273(g) of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

Subsection (d) of this section was derived from section 1274(d)(3)(B) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, § 3507(b)(3)(A), Jan. 6, 2006, 119 Stat. 3556. Section 1274(d)(3)(B) of the former Appendix to this title was amended by striking “Secretary of Transportation” and inserting “Administrator”.

Subsection (e) of this section was derived from section 1274(j) of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, § 3507(a)(2)(F), (b)(5), Jan. 6, 2006, 119 Stat. 3555, 3556. Section 1274(j) of the former Appendix to this title was amended by striking “Secretary” in par. (1) [now pars. (1) to (3)] the first, fifth, and seventh places it appears and inserting “Administrator” and by striking “The Secretary of Transportation” in par. (2) [now par. (4)] and inserting “The Administrator”.

For applicability of those amendments to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53732(a)	46 App.:1279d(a).	June 29, 1936, ch. 858, title XI, §1111, as added Pub. L. 103-160, div. A, title XIII, §1355(a), Nov. 30, 1993, 107 Stat. 1811.
53732(b)	46 App.:1279d(b).	June 29, 1936, ch. 858, title XI, §1104A(d)(3), (j), as added Pub. L. 103-160, div. A, title XIII, §1356(3)(D), (E), Nov. 30, 1993, 107 Stat. 1813, 1814.
53732(c)(1) ..	46 App.:1274(d)(3)(A).	
53732(c)(2) ..	46 App.:1273(g)(1).	June 29, 1936, ch. 858, title XI, §1103(g), as added Pub. L. 103-160, div. A, title XIII, §1356(2)(B), Nov. 30, 1993, 107 Stat. 1812.
53732(d)	46 App.:1274(d)(3)(B).	46 App.:1274(j).
53732(e)	46 App.:1274(j).	
53732(f)	46 App.:1273(g)(2).	

In subsection (f), the source provides that the authority to issue commitments to guarantee obligations for eligible export vessels expires after the later of three events. The first event, which is “(A) the 5th anniversary of the date on which the Secretary publishes final regulations setting forth the application procedures for the issuance of commitments to guarantee obligations for eligible export vessels”, is omitted because the final regulations were published on September 16, 1994. See 59 Fed. Reg. 47548. The second event, which is “(B) the last day of any 5-year period in which funding and guarantee authority for obligations for eligible export vessels have been continuously available”, is omitted because that date was November 11, 1998, five years after enactment of the Department of Defense Appropriations Act, 1994 (Pub. L. 103-139, Nov. 11, 1993, 107 Stat. 1418).

§ 53733. Shipyard modernization and improvement

(a) DEFINITIONS.—In this section:

(1) ADVANCED SHIPBUILDING TECHNOLOGY.—The term “advanced shipbuilding technology” includes—

(A) numerically controlled machine tools, robots, automated process control equipment, computerized flexible manufacturing systems, associated computer software, and other technology for improving shipbuilding and related industrial production that advance the state-of-the-art; and

(B) novel techniques and processes designed to improve shipbuilding quality, productivity, and practice, and to promote sustainable development, including engineering design, quality assurance, concurrent engineering, continuous process production technology, energy efficiency, waste minimization, design for recyclability or parts reuse, inventory management, upgraded worker skills, and communications with customers and suppliers.

(2) GENERAL SHIPYARD FACILITY.—The term “general shipyard facility” means—

(A) for operations on land—

(i) a structure or appurtenance thereto designed for the construction, reconstruction, repair, rehabilitation, or refurbishment of a vessel, including a graving dock, building way, ship lift, wharf, or pier crane;

(ii) the land necessary for the structure or appurtenance; and

(iii) equipment that is for use with the structure or appurtenance and that is necessary for performing a function referred to in clause (i); and

(B) for operations not on land, a vessel, floating drydock, or barge built in the United States and used for, equipped to be used for, or of a type normally used for, performing a function referred to in subparagraph (A)(i).

(3) MODERN SHIPBUILDING TECHNOLOGY.—The term “modern shipbuilding technology” means the best available proven technology, techniques, and processes appropriate to enhancing the productivity of shipyards.

(b) GENERAL AUTHORITY.—Under subchapter I of this chapter, the Secretary may guarantee or make a commitment to guarantee the payment of the principal of and interest on an obligation for advanced shipbuilding technology and modern shipbuilding technology of a general shipyard facility in the United States. Only a private shipyard is eligible to receive a guarantee.

(c) APPLICABILITY OF OTHER PROVISIONS.—Except as otherwise provided in this section, a guarantee or commitment to guarantee under this section is subject to all the provisions applicable to a guarantee or commitment to guarantee under subchapter I of this chapter.

(d) AMOUNT OF OBLIGATION.—The principal amount of an obligation guaranteed under this chapter may not exceed 87.5 percent of the actual cost of the advanced shipbuilding technology or modern shipbuilding technology.

(e) TRANSFER OF AMOUNTS.—The Secretary may accept the transfer of amounts from a department, agency, or instrumentality of the United States Government and may use those amounts to cover the cost (as defined in section 502 of the Federal Credit Reform Act of 1990 (2

U.S.C. 661a)) of making guarantees or commitments to guarantee under this section.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1623; Pub. L. 109-163, div. C, title XXXV, §3507(a)(2)(K), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived in part from section 1279e of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(2)(K), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1279e of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53733(a)	46 App.:1279e(d).	June 29, 1936, ch. 858, title XI, §1112, as added Pub. L. 103-160, div. A, title XIII, §1357(a), Nov. 30, 1993, 107 Stat. 1814.
53733(b)	46 App.:1279e(a). 46 App.:1280a.	Pub. L. 103-160, title XIII, §1358, Nov. 30, 1993, 107 Stat. 1816.
53733(c)	46 App.:1279e(b) (words before “except”).	
53733(d)	46 App.:1279e(b) (words beginning with “except”).	
53733(e)	46 App.:1279e(c).	

In subsection (a)(2)(A)(i), the words “(as defined in title 1)” are omitted as unnecessary because chapter 1 of the revised title contains a title-wide definition of “vessel” that incorporates the definition in title 1, United States Code.

In subsection (b), the words “and subject to the terms the Secretary shall be prescribe” are omitted as unnecessary because section 53702(a) of the revised title provides the Secretary authority to prescribe the terms. The words “Only a private shipyard is eligible to receive a guarantee” are substituted for 46 App. U.S.C. 1280a to eliminate unnecessary words.

§ 53734. Replacement of vessels because of changes in operating standards

(a) **GENERAL AUTHORITY.**—Notwithstanding any other provision of this chapter, the Secretary, on terms the Secretary may prescribe, may guarantee or make a commitment to guarantee the payment of the principal of and interest on an obligation that aids in financing or refinancing (including reimbursement of an obligor for expenditures previously made for) a contract for the construction or reconstruction of a vessel if—

(1) the vessel is designed and to be used for commercial use in coastwise, intercoastal, or foreign trade;

(2) the construction or reconstruction is necessary to replace a vessel that cannot continue to be operated because of a change required by law in the standards for the operation of vessels, and the applicant for the guarantee or commitment would not otherwise legally be able to continue operating vessels in the trades in which the applicant operated vessels before the change;

(3) the applicant is presently engaged in transporting cargoes in vessels of the type and

class that will be constructed or reconstructed under this section and agrees to employ vessels constructed or reconstructed under this section as replacements only for vessels made obsolete by the change in operating standards;

(4) the capacity of the vessels to be constructed or reconstructed under this section will not increase the cargo carrying capacity of the vessels being replaced;

(5) the Secretary has not determined that the market demand for the vessel over its useful life will diminish so as to make granting the guarantee fiduciarily imprudent;

(6) the vessel, if to be reconstructed, will have a useful life of at least 15 years after the reconstruction; and

(7) the Secretary has considered the criteria specified in section 53708(a)(3)–(5) of this title.

(b) TERM AND AMOUNT OF OBLIGATION.—

(1) **TERM.**—The term of an obligation guaranteed under this section may not exceed 25 years.

(2) **AMOUNT.**—The amount of an obligation guaranteed under this section may not exceed 87.5 percent of the actual cost or depreciated actual cost to the applicant for the construction or reconstruction of the vessel. The Secretary may not establish a percentage under this paragraph that is to be applied uniformly to all guarantees or commitments to guarantee made under this section.

(c) **APPLICABILITY OF OTHER PROVISIONS.**—A guarantee or commitment to guarantee under this section is also subject to sections 53701, 53702(a), 53704, 53705, 53707(a), 53708(d) and (e), 53709(a), 53710(a)(1), (2), and (4) and (c), 53711(a), 53713, 53714, 53717, and 53721–53725 of this title.

(d) **SECURITY AGAINST DEFAULT.**—The Secretary shall require by regulation that an applicant under this section provide adequate security against default.

(e) **GUARANTEE FEES.**—The Secretary may establish a fee for the guarantee of an obligation under this section that is in addition to the fee established under section 53714 of this title. The fee may be—

(1) an annual fee of not more than an additional 1 percent added to the fee established under section 53714 of this title; or

(2) a fee based on the amount of the obligation versus the percentage of the obligor’s fleet being replaced by vessels constructed or reconstructed under this section.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1624; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(E), Jan. 6, 2006, 119 Stat. 3555.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1274a of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(E), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1274a of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53734(a)	46 App.:1274a(a), (b)(3).	June 29, 1936, ch. 858, title XI, §1104B, as added Pub. L. 101-380, title IV, §4115(f)(2), Aug. 18, 1990, 104 Stat. 521; amended Pub. L. 102-587, title VI, §6204, Nov. 4, 1992, 106 Stat. 5094; Pub. L. 103-160, div. A, title XIII, §1356(4), Nov. 30, 1993, 107 Stat. 1814; Pub. L. 104-239, §11(2), Oct. 8, 1996, 110 Stat. 3134.
53734(b)	46 App.:1274a(b) (less (3)).	
53734(c)	46 App.:1274a(d).	
53734(d)	46 App.:1274a(c)(1) (1st sentence).	
53734(e)	46 App.:1274a(c)(1) (2d sentence), (2).	

In subsection (a), in paragraph (1), the words “as defined in section 1244 of this Appendix” are omitted because the definition of “foreign commerce or trade” in chapter 1 of the revised title applies without having to say so specifically. Paragraph (6) is substituted for 46 App. U.S.C. 1274a(b)(3) to improve the organization of the source provisions.

In subsection (b)(2), the words “by rule, regulation, or procedure” are omitted as unnecessary and for consistency with section 53709(d) of the revised title.

In subsections (c) and (e), the language concerning the Vessel Replacement Guarantee Fund and the Federal Ship Financing Fund is omitted as obsolete. See the explanation for section 53717.

§ 53735. Fisheries financing and capacity reduction

(a) DEFINITION.—In this section, the term “program” means a fishing capacity reduction program established under section 312 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a).

(b) GUARANTEE AUTHORITY.—The Secretary may guarantee the repayment of debt obligations issued by entities under this section. Debt obligations to be guaranteed may be issued by any entity that has been approved by the Secretary and has agreed with the Secretary to conditions the Secretary considers necessary for this section to achieve the objective of the program and to protect the interest of the United States.

(c) REQUIREMENTS OF OBLIGATIONS.—A debt obligation guaranteed under this section shall—

(1) be treated in the same manner and to the same extent as other obligations guaranteed under this chapter, except with respect to provisions of this chapter that by their nature cannot be applied to obligations guaranteed under this section;

(2) have the fishing fees established under the program paid into a separate subaccount of the fishing capacity reduction fund established under this section;

(3) not exceed \$100,000,000 in an unpaid principal amount outstanding at any one time for a program;

(4) have such maturity (not to exceed 20 years), take such form, and contain such conditions as the Secretary determines necessary for the program to which they relate;

(5) have as the exclusive source of repayment (subject to the second sentence of subsection (d)(2)) and as the exclusive payment

security, the fishing fees established under the program; and

(6) at the discretion of the Secretary be issued in the public market or sold to the Federal Financing Bank.

(d) FISHING CAPACITY REDUCTION FUND.—

(1) IN GENERAL.—There is a separate account in the Treasury, known as the Fishing Capacity Reduction Fund. Within the Fund, at least one subaccount shall be established for each program into which shall be paid all fishing fees established under the program and other amounts authorized for the program.

(2) AVAILABILITY OF AMOUNTS.—Amounts in the Fund shall be available, without appropriation or fiscal year limitation, to the Secretary to pay the cost of the program, including payments to financial institutions to pay debt obligations incurred by entities under this section. Funds available for this purpose from other amounts available for the program may also be used to pay those debt obligations.

(3) INVESTMENT.—Amounts in the Fund that are not currently needed for the purpose of this section shall be kept on deposit or invested in obligations of the United States Government.

(e) REGULATIONS.—The Secretary shall prescribe regulations the Secretary considers necessary to carry out this section.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1625; Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(H), (d), Jan. 6, 2006, 119 Stat. 3555, 3557.)

AMENDMENT NOT SHOWN IN TEXT

This section was derived from section 1279f of the former Appendix to this title, which was amended by Pub. L. 109-163, div. C, title XXXV, §3507(a)(1)(H), Jan. 6, 2006, 119 Stat. 3555. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. Section 1279f of the former Appendix to this title was amended by striking “Secretary” each place it appears and inserting “Secretary or Administrator”.

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53735(a)	46 App.:1279f(e).	June 29, 1936, ch. 858, title XI, §1111, as added Pub. L. 104-297, title III, §303, Oct. 11, 1996, 110 Stat. 3616; Pub. L. 104-208, title I, §101 [title II, §211(b)], Sept. 30, 1996, 110 Stat. 3009-41.
53735(b)	46 App.:1279f(a).	
53735(c)	46 App.:1279f(b).	
53735(d)	46 App.:1279f(c).	
53735(e)	46 App.:1279f(d).	

CODIFICATION

This section was derived from section 1111 of act June 29, 1936, ch. 858, as added by Pub. L. 104-297, §303, which was classified to section 1279f of the former Appendix to this title. Section 1111 was renumbered section 1113 of the Act by Pub. L. 109-163, div. C, title XXXV, §3507(d), Jan. 6, 2006, 119 Stat. 3557. See Historical and Revision notes above and section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title.

CHAPTER 539—WAR RISK INSURANCE

Sec.	
53901.	Definitions.
53902.	Authority to provide insurance.
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53905.	Agency insurance.
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§ 53901. Definitions

In this chapter:

(1) **AMERICAN VESSEL.**—The term “American vessel” includes—

(A) a documented vessel with a registry or coastwise endorsement under chapter 121 of this title;

(B) an undocumented vessel owned or chartered by or made available to the United States Government; and

(C) a tug, barge, or other watercraft (whether or not documented) owned by a citizen of the United States and used in essential water transportation or in the fisheries, except only for sport fishing.

(2) **CARGO.**—The term “cargo” includes a loaded or empty container on a vessel.

(3) **TRANSPORTATION IN THE WATERBORNE COMMERCE OF THE UNITED STATES.**—The term “transportation in the waterborne commerce of the United States” includes the operation of a vessel in the fisheries, except only for sport fishing.

(4) **WAR RISKS.**—The term “war risks” includes, to the extent the Secretary of Transportation determines—

(A) any part of a loss excluded from marine insurance coverage under a “free of capture or seizure” clause or analogous clause; and

(B) any other loss from a hostile act, including confiscation, expropriation, nationalization, or deprivation.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1626.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53901(1)	46 App.:1281(a).	June 29, 1936, ch. 858, title XII, §§1201(a), (b), as added Sept. 7, 1950, ch. 906, 64 Stat. 773.
53901(2)	46 App.:1283(b) (last sentence).	June 29, 1936, ch. 858, title XII, §1203(b) (last sentence), as added Sept. 7, 1950, ch. 906, 64 Stat. 774; Pub. L. 94–523, §2, Oct. 17, 1976, 90 Stat. 2474.
53901(3)	46 App.:1281(b).	June 29, 1936, ch. 858, title XII, §1201(c), as added Sept. 7, 1950, ch. 906, 64 Stat. 773; restated Pub. L. 107–107, title XXXV, §3502, Dec. 28, 2001, 115 Stat. 1392.
53901(4)	46 App.:1281(c).	

In paragraph (1)(A), the words “a documented vessel with a registry or coastwise endorsement under chapter 121 of this title” are substituted for “any vessel registered, enrolled, or licensed under the laws of the United States” because of 46 U.S.C. 12101(b).

In paragraph (1)(B), the words “or any department or agency thereof” are omitted as surplus.

In paragraph (1)(C), the word “fisheries” is substituted for “fishing trade or industry” because of the definition of “fisheries” in chapter 1 of the revised title.

§ 53902. Authority to provide insurance

(a) **IN GENERAL.**—With the approval of the President, and after such consultation with interested agencies of United States Government as the President may require, the Secretary of Transportation may provide insurance and reinsurance against loss or damage from war risks as provided by this chapter whenever it appears to the Secretary that insurance adequate for the needs of the waterborne commerce of the United States cannot be obtained on reasonable terms and conditions from companies authorized to do insurance business in a State of the United States.

(b) **CONSIDERATION OF RISK.**—Insurance or reinsurance under this chapter shall be based, insofar as practicable, on consideration of the risk involved.

(c) **AVAILABILITY OF VESSEL DURING WAR OR NATIONAL EMERGENCY.**—Insurance or reinsurance for a vessel may be provided under this chapter only on the condition that the vessel will be available to the Government in time of war or national emergency.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1627.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53902	46 App.:1282.	June 29, 1936, ch. 858, title XII, §1202, as added Sept. 7, 1950, ch. 906, 64 Stat. 773; Pub. L. 101–115, §7(a), Oct. 13, 1989, 103 Stat. 694.

§ 53903. Insurable interests

(a) **IN GENERAL.**—The Secretary of Transportation may provide insurance and reinsurance under this chapter for—

(1) an American vessel, including a vessel under construction;

(2) a foreign vessel—

(A) owned by a citizen of the United States; or

(B) engaged in transportation in the waterborne commerce of the United States or in such other transportation by water or such other services as the Secretary considers to be in the interest of the national defense or national economy of the United States, when so engaged;

(3) cargo—

(A) shipped or to be shipped on a vessel insurable under this section, including by express or registered mail;

(B) owned by a citizen or resident of the United States;

(C) imported to or exported from the United States, or sold or purchased by a citizen or resident of the United States, under a contract of sale or purchase the terms of which provide that the risk of loss by war risks or the obligation to provide insurance against war risks is on a citizen or resident of the United States; or

(D) shipped between ports in the United States;

(4) disbursements, including advances to masters and general average disbursements, and freight and passage money of a vessel insurable under this section;

(5) personal effects of an individual on a vessel insurable under this section;

(6) loss of life, injury, or detention by an enemy of the United States after capture, with respect to an individual on a vessel insurable under this section; and

(7) statutory or contractual obligations or other liabilities of a vessel insurable under this section or of the owner or charterer of such a vessel, of a nature customarily covered by insurance.

(b) **CONSIDERATIONS FOR FOREIGN VESSELS.**—In determining whether to provide insurance or reinsurance for a foreign vessel, the Secretary shall consider the characteristics, employment, and general management of the vessel by the owner or charterer.

(c) **NON-WAR RISKS.**—Insurance of a risk under subsection (a)(5)–(7), insofar as it involves a liability related to an individual on the vessel, may include risks other than war risks to the extent the Secretary considers advisable.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1627.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53903(a)	46 App.:1283(a) (1st sentence), (b) (1st sentence), (c)–(f).	June 29, 1936, ch. 858, title XII, §1203(a) (1st, 2d sentences), (b) (1st sentence), (c)–(f), as added Sept. 7, 1950, ch. 906, 64 Stat. 773, 774; Pub. L. 94–523, §§1–3, Oct. 17, 1976, 90 Stat. 2474.
53903(b)	46 App.:1283(a) (2d sentence).	
53903(c)	46 App.:1284.	June 29, 1936, ch. 858, title XII, §1204, as added Sept. 7, 1950, ch. 906, 64 Stat. 774.

In subsections (a)(2) and (b), the words “foreign vessel” are substituted for “foreign-flag vessels” because of the definition of “foreign vessel” in chapter 1 of the revised title.

In paragraph (3), references to the territories and possessions of the United States are omitted as unnecessary because of the definition of “United States” in chapter 1 of the revised title.

In paragraph (5), the words “individual on a vessel insurable under this section” are substituted for “masters, officers, and crews of such vessels, and of other persons transported on such vessels” to eliminate unnecessary words.

In paragraph (6), the words “individual on a vessel insurable under this section” are substituted for “Masters, officers, members of the crews of such vessels and other persons employed or transported thereon” to eliminate unnecessary words.

§ 53904. Liability insurance for persons involved in war or defense efforts

(a) **IN GENERAL.**—The Secretary of Transportation may provide insurance under this chapter against legal liability that a person may incur in providing services or facilities for a vessel if, in the opinion of the Secretary, the insurance—

(1) is required in prosecuting a war or for national defense; and

(2) cannot be obtained at reasonable rates or on reasonable terms and conditions from ap-

proved companies authorized to do insurance business in a State of the United States.

(b) **LIMITATIONS.**—Employer liability insurance and worker compensation insurance against legal liability to employees may not be provided under this section.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1628.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53904	46 App.:1286.	June 29, 1936, ch. 858, title XII, §1206, as added Sept. 7, 1950, ch. 906, 64 Stat. 774; Aug. 3, 1956, ch. 929, §5, 70 Stat. 986.

In subsection (a), the words “a vessel” are substituted for “any American- or foreign-flag vessel, public or private” to eliminate unnecessary words.

§ 53905. Agency insurance

(a) **IN GENERAL.**—With the approval of the President, an agency of the United States Government may obtain insurance provided for by this chapter from the Secretary of Transportation, except as provided in sections 17302 and 17303 of title 40.

(b) **PREMIUM WAIVERS.**—With the approval of the President, the Secretary of Transportation may provide insurance under this chapter at the request of the Secretary of Defense and other agencies the President may prescribe, without payment of an insurance premium if the Secretary of Defense or agency agrees to indemnify the Secretary of Transportation against loss covered by the insurance. The Secretary of Defense and agencies may make such an indemnity agreement.

(c) **PRESIDENTIAL APPROVAL.**—The signature of the President (or an official designated by the President) on the agreement shall be treated as the approval required by section 53902(a) of this title.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1628.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53905	46 App.:1285.	June 29, 1936, ch. 858, title XII, §1205, as added Sept. 7, 1950, ch. 906, 64 Stat. 774; Pub. L. 105–261, div. A, title X, §1071(a), Oct. 17, 1998, 112 Stat. 2137.

§ 53906. Hull insurance valuation

(a) **STATED VALUATION.**—The valuation in a hull insurance policy for actual or constructive total loss of the insured vessel shall be a stated valuation determined by the Secretary of Transportation. The stated valuation—

(1) shall exclude national defense features paid for by the United States Government; and

(2) may not exceed the amount that would be payable if the ownership of the vessel had been requisitioned under chapter 563 of this title at the time the insurance attached under the policy.

(b) **REJECTING STATED VALUATION.**—Within 60 days after the insurance attaches under a policy

referred to in subsection (a) or within 60 days after the Secretary determines the valuation, whichever is later, the insured may reject the valuation and pay, at the rate provided in the policy, premiums based on the asserted valuation the insured specifies at the time of rejection. However, the asserted valuation is not binding on the Government in any subsequent action on the policy.

(c) AMOUNT OF CLAIM.—If a vessel is actually or constructively totally lost and the insured under a policy referred to in subsection (a) has not rejected the stated valuation determined by the Secretary, the amount of a claim adjusted, compromised, settled, adjudged, or paid may not exceed the stated valuation. However, if the insured has rejected the valuation, the insured—

(1) shall be paid, as a tentative advance only, 75 percent of the stated valuation; and

(2) may bring a civil action against the United States in a court having jurisdiction of the claim to recover a valuation equal to the just compensation the court determines would have been payable if the ownership of the vessel had been requisitioned under chapter 563 of this title at the time the insurance attached under the policy.

(d) ADJUSTING PREMIUMS.—If a court makes a determination as provided under subsection (c)(2), premiums paid under the policy shall be adjusted based on the court's determination and the rates provided for in the policy.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1629.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53906	46 App.:1289(a)(2).	June 29, 1936, ch. 858, title XII, §1209(a)(2), as added Sept. 7, 1950, ch. 906, 64 Stat. 775; Aug. 3, 1956, ch. 929, §1, 70 Stat. 984; Pub. L. 88–478, §1, Aug. 22, 1964, 78 Stat. 587.

In subsection (c), the words “*Provided*, That in the event of an election by the insured to reject the stated valuation fixed by the Secretary and to sue in the courts, the amount of the judgment will be payable without regard to the limitations contained in section 1242–1 of this Appendix, although the excess of any amounts advanced on account of just compensation over the amount of the court judgment will be required to be refunded” are omitted as obsolete because the section referred to, which was from the Department of Commerce and Related Agencies Appropriation Act, 1959 (Pub. L. 85–469, 72 Stat. 231), has been omitted from the United States Code as obsolete.

§ 53907. Reinsurance

(a) IN GENERAL.—To the extent the Secretary of Transportation is authorized to provide insurance under this chapter, the Secretary may provide reinsurance to a company authorized to do insurance business in a State of the United States. The Secretary may obtain reinsurance from such a company for any insurance provided by the Secretary under this chapter.

(b) RATES.—The Secretary may not provide reinsurance at rates less than, nor obtain reinsurance at rates more than, the rates established by the Secretary on the same or similar risks or the rates charged by the insurance company for

the insurance reinsured, whichever is more advantageous to the Secretary. However, the Secretary may provide an allowance to the insurance company for the costs of services and facilities the company provides, in an amount the Secretary considers reasonable according to good business practice. The allowance to the company may not include any amount for soliciting or stimulating insurance business.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1629.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53907	46 App.:1287.	June 29, 1936, ch. 858, title XII, §1207, as added Sept. 7, 1950, ch. 906, 64 Stat. 775.

In subsection (a), the words “insurance under this chapter” are substituted for “marine, war risk, and liability insurance” for consistency in this chapter. The words “in whole or in part” are omitted as unnecessary. The words “obtain reinsurance from” are substituted for “reinsure with, or cede or retrocede to” for clarity and to eliminate unnecessary words.

§ 53908. Additional insurance privately obtained

With the approval of the Secretary of Transportation, a person having an insurable interest in a vessel may obtain insurance on the vessel with other underwriting agents in addition to the insurance with the Secretary. The Secretary is not entitled to the benefit of the additional insurance.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1630.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53908	46 App.:1293.	June 29, 1936, ch. 858, title XII, §1213, as added Sept. 7, 1950, ch. 906, 64 Stat. 777; Pub. L. 97–31, §12(141), Aug. 6, 1981, 95 Stat. 166.

§ 53909. War risk insurance revolving fund

(a) IN GENERAL.—There is a war risk insurance revolving fund in the Treasury.

(b) DEPOSITS.—There shall be deposited in the fund amounts appropriated to carry out this chapter and amounts received in carrying out this chapter.

(c) PAYMENTS.—There shall be paid from the fund amounts for return premiums, losses, settlements, judgments, and all liabilities incurred by the United States Government under this chapter.

(d) INVESTMENT.—The Secretary of Transportation may request the Secretary of the Treasury to invest such portion of the fund as is not, in the judgment of the Secretary of Transportation, required to meet the current needs of the fund. These investments shall be made by the Secretary of the Treasury in public debt securities of the Government, with maturities suitable to the needs of the fund, and bearing interest rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the Government of comparable maturity. Interest and benefits from the securities shall be deposited in the fund.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1630; Pub. L. 109-364, div. C, title XXXV, § 3510(a)(1), Oct. 17, 2006, 120 Stat. 2520.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53909	46 App.:1288.	June 29, 1936, ch. 858, title XII, § 1208, as added Sept. 7, 1950, ch. 906, 64 Stat. 775; Pub. L. 87-743, Oct. 3, 1962, 76 Stat. 740; Pub. L. 97-31, § 12(139), Aug. 6, 1981, 95 Stat. 166; Pub. L. 108-375, div. C, title XXXV, § 3502(b), Oct. 28, 2004, 118 Stat. 2195.
	46 App.:1288a.	Nov. 1, 1951, ch. 664, par. under heading “War-Risk Insurance Revolving Fund”, 65 Stat. 746; Pub. L. 97-31, § 12(140), Aug. 6, 1981, 95 Stat. 166.

In subsection (c), the reference to the Fiscal Service [previously Division of Disbursement] in the Treasury Department is omitted as unnecessary.

In subsection (d), the amendment by section 3502(b) of Public Law 108-375, which struck the third sentence in 46 App. U.S.C. 1288 and inserted new material, was executed as if it were intended to strike the fourth sentence instead, to reflect probably [sic] intent.

The text of 46 App. U.S.C. 1288(b) is omitted as unnecessary because enactment of a law authorizing certain governmental functions is itself an authorization of appropriations to carry out those functions. The text of 46 App. U.S.C. 1288a is omitted as executed and impliedly repealed by 46 App. U.S.C. 1119.

AMENDMENTS

2006—Pub. L. 109-364, which directed amendment of section 1288(a) of the former Appendix to this title, from which this section was derived, was already reflected in text of this section as enacted by Pub. L. 109-304. See Historical and Revision Notes relating to subsection (d) above.

EFFECTIVE DATE OF 2006 AMENDMENT

Pub. L. 109-364, div. C, title XXXV, § 3510(a)(2), Oct. 17, 2006, 120 Stat. 2520, provided that: “The amendments made by paragraph (1) [amending section 1288(a) of the former Appendix to this title, from which this section was derived] shall be effective as if enacted by section 3502 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (118 Stat. 2195) [Pub. L. 108-375].”

§ 53910. Administrative

(a) ACCORDANCE WITH COMMERCIAL PRACTICE.—In carrying out this chapter, the Secretary of Transportation may act in accordance with commercial practice in the marine insurance business.

(b) REGULATIONS.—The Secretary may prescribe regulations the Secretary considers appropriate to carry out this chapter.

(c) POLICIES, RATES, AND ANNUAL FEES.—The Secretary may prescribe and change forms and policies, and fix and change the amounts insured and rates of premium, under this chapter.

(d) ANNUAL FEES.—The Secretary may charge and collect an annual fee in an amount calculated to cover the expenses of processing applications for insurance, employing underwriting agents, and appointing experts under this chapter.

(e) PAYMENT OF CLAIMS AND JUDGMENTS.—The Secretary may settle and pay claims, and pay judgments against the United States, related to insurance under this chapter.

(f) UNDERWRITING AGENTS.—

(1) IN GENERAL.—The Secretary may, and when the Secretary finds it practical to do so shall, employ a domestic company or group of domestic companies, authorized to do marine insurance business in a State of the United States, to act as underwriting agent for the Secretary. The services of an underwriting agent may be used in adjusting claims, but a claim may not be paid until approved by the Secretary.

(2) COMPENSATION.—The Secretary may allow the company or group of companies reasonable compensation for services as the underwriting agent. The compensation may include an allowance for expenses reasonably incurred by the agent, but may not include any amount for soliciting or stimulating business.

(g) FEES FOR ARRANGING INSURANCE.—Except as provided in subsection (f)(2), the Secretary may not pay an insurance broker or other person acting in a similar intermediary capacity a fee or other consideration for participating in arranging insurance when the Secretary directly insures any of the risk.

(h) EMPLOYMENT OF MARINE INSURANCE EXPERTS.—The Secretary, without regard to the laws and regulations on the employment of Federal employees, may appoint and prescribe the duties of experts in marine insurance as the Secretary considers necessary to carry out this chapter.

(i) SERVICES OF OTHER GOVERNMENT AGENCIES.—With the consent of another agency of the United States Government, the Secretary may use information, services, facilities, officers, and employees of the agency in carrying out this chapter.

(j) VESSEL LOCATION REPORTING.—The Secretary may prescribe by regulation vessel location reporting requirements for a vessel insured under this chapter.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1630.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53910(a)	46 App.:1289(c) (1st sentence).	June 29, 1936, ch. 858, title XII, § 1209(a)(1), (b)-(f), as added Sept. 7, 1950, ch. 906, 64 Stat. 775; Aug. 3, 1956, ch. 929, § 1, 70 Stat. 984; Pub. L. 94-523, § 4, Oct. 17, 1976, 90 Stat. 2474.
53910(b)	46 App.:1289(a)(1) (1st-19th words).	
53910(c)	46 App.:1289(b) (1st sentence).	
53910(d)	46 App.:1289(b) (last sentence).	
53910(e)	46 App.:1289(a)(1) (20th-last words).	
53910(f)	46 App.:1289(d).	
53910(g)	46 App.:1289(c) (last sentence).	
53910(h)	46 App.:1289(e).	
53910(i)	46 App.:1289(f).	
53910(j)	46 App.:1283(a) (last sentence).	June 29, 1936, ch. 858, title XII, § 1203(a) (last sentence), as added Sept. 7, 1950, ch. 906, 64 Stat. 774; Pub. L. 94-523, § 1, Oct. 17, 1976, 90 Stat. 2474.

Subsection (e) is substituted for “may adjust and pay losses, compromise and settle claims, whether in favor of or against the United States and pay the amount of any judgment rendered against the United States in any suit, or the amount of any settlement agreed upon,

in respect of any claim under insurance authorized by this subchapter” to eliminate unnecessary words.

§ 53911. Civil actions for losses

(a) IN GENERAL.—If there is a disagreement about a loss insured under this chapter, a civil action in admiralty may be brought against the United States in the district court of the United States for the district in which the plaintiff or the plaintiff's agent resides. If the plaintiff has no residence in the United States, the action may be brought in the United States District Court for the District of Columbia or in the district court for any district in which the Attorney General agrees to accept service. Any person who may have an interest in the insurance may be made a party, either initially or on the motion of either party.

(b) EXCLUSIVE REMEDY.—A civil action against the United States under this section is exclusive of any other action by reason of the same subject matter against an officer, employee, or agent employed or retained by the Government under this chapter.

(c) PROCEDURE.—A civil action under this section shall be heard and determined under chapter 309 of this title.

(d) TOLLING OF LIMITATIONS PERIOD.—If a claim is filed with the Secretary of Transportation, the running of the limitations period for bringing a civil action is suspended until the Secretary denies the claim, and for 60 days thereafter. The Secretary is deemed to have denied the claim if the Secretary does not act on the claim within 6 months after the claim is filed, unless the Secretary for good cause shown agrees with the claimant on a different period for the Secretary to act on the claim.

(e) INTERPLEADER.—If the Secretary acknowledges the indebtedness of the Government under the insurance and there is a dispute about the persons entitled to receive payment, the Government may bring a civil action interpleading those persons. The action shall be brought in the United States District Court for the District of Columbia or in the district court for the district in which any of those persons resides. A person not residing or found in the district may be made a party by service in any reasonable manner the court directs. If the court is satisfied that unknown persons might make a claim under the insurance, the court may direct service on those unknown persons by publication in the Federal Register. Judgment after service by publication in the Federal Register discharges the Government from further liability to all persons.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1631.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53911	46 App.:1292.	June 29, 1936, ch. 858, title XII, §1212, as added Sept. 7, 1950, ch. 906, 64 Stat. 776.

§ 53912. Expiration date

The authority of the Secretary of Transportation to provide insurance and reinsurance under this chapter expires on December 31, 2010.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1632.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
53912	46 App.:1294.	June 29, 1936, ch. 858, title XII, §1214, as added Sept. 7, 1950, ch. 906, 64 Stat. 777; Aug. 3, 1955, ch. 492, 69 Stat. 440; Pub. L. 86–120, July 31, 1959, 73 Stat. 266; Pub. L. 89–89, July 27, 1965, 79 Stat. 264; Pub. L. 91–469, §34, Oct. 21, 1970, 84 Stat. 1035; Pub. L. 94–523, §5, Oct. 17, 1976, 90 Stat. 2474; Pub. L. 96–195, Feb. 25, 1980, 94 Stat. 63; Pub. L. 99–59, July 3, 1985, 99 Stat. 110; Pub. L. 101–115, §7(b), Oct. 13, 1989, 103 Stat. 694; Pub. L. 104–106, title X, §1094, Feb. 10, 1996, 110 Stat. 461; Pub. L. 104–239, §12, Oct. 8, 1996, 110 Stat. 3134; Pub. L. 108–375, div. C, title XXXV, §3502(a), Oct. 28, 2004, 118 Stat. 2195.

PART D—PROMOTIONAL PROGRAMS

CHAPTER 551—COASTWISE TRADE

Sec.	
55101.	Application of coastwise laws.
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§ 55101. Application of coastwise laws

(a) IN GENERAL.—Except as provided in subsection (b), the coastwise laws apply to the United States, including the island territories and possessions of the United States.

(b) EXCEPTIONS.—The coastwise laws do not apply to—

- (1) American Samoa;
- (2) the Northern Mariana Islands, except as provided in section 502(b) of the Covenant To Establish a Commonwealth of the Northern Mariana Islands in Political Union With the United States of America (48 U.S.C. 1801 note);
- (3) Canton Island until the President declares by proclamation that the coastwise laws apply to Canton Island; or
- (4) the Virgin Islands until the President declares by proclamation that the coastwise laws apply to the Virgin Islands.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1632.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55101(a)	46 App.:877 (words before last proviso).	June 5, 1920, ch. 250, §21, 41 Stat. 997; Apr. 16, 1936, ch. 228, 49 Stat. 1207; Pub. L. 97-31, §12(47), Aug. 6, 1981, 95 Stat. 137.
55101(b)(1) ..	48:1664.	June 14, 1934, ch. 523, 48 Stat. 963.
55101(b)(2) ..	48:1801 note (Covenant §503(b)).	Pub. L. 94-241, §1, Mar. 24, 1976; 90 Stat. 263; Pub. L. 98-213, §9, Dec. 8, 1983, 97 Stat. 1461; Pub. L. 104-208, div. A, title I, §101(d) [title I], Sept. 30, 1996, 110 Stat. 3009-196.
55101(b)(3) ..	46 App.:877 note.	Proc. No. 3215, Dec. 12, 1957, 72 Stat. c19.
55101(b)(4) ..	46 App.:877 (last proviso).	

In subsection (a), the words “apply to the United States, including” are substituted for “extend to” for clarity. The words “From and after February 1, 1922” and “not covered thereby on June 5, 1920” are omitted as obsolete. The requirement to establish adequate steamship service to the island Territories and possessions is omitted as obsolete.

Subsection (b)(2) is based on section 503(b) of the Covenant To Establish a Commonwealth of the Northern Mariana Islands in Political Union With the United States of America (48 U.S.C. 1801 note).

Subsection (b)(3) is based on Proc. No. 3215, Dec. 12, 1957, 72 Stat. c19, which provided that the President, “under and by virtue of the authority vested in me by the aforesaid section 21 of the Merchant Marine Act, 1920 [46 App. U.S.C. 877], do hereby declare and proclaim that the period for the establishment of an adequate shipping service for Canton Island is extended until further notice by proclamation of the President, and that the extension of the coastwise laws of the United States to Canton Island is deferred until it is declared by proclamation of the President that such adequate shipping service has been established”.

In subsection (b)(4), the words “and fix a date for the going into effect of same” are omitted as surplus.

The provisos of 46 App. U.S.C. 877 relating to the Philippine Islands are omitted as obsolete because of the independence of the Philippine Islands. See Proc. No. 2695, July 4, 1946, 60 Stat. 1352 (22 U.S.C. 1394 note).

REFERENCES IN TEXT

Section 502(b) of the Covenant To Establish a Commonwealth of the Northern Mariana Islands in Political Union With the United States of America, referred to in subsec. (b)(2), is contained in section 1 of Pub. L. 94-241, set out as a note under section 1801 of Title 48, Territories and Insular Possessions.

CANTON ISLAND; SOVEREIGNTY OF KIRIBATI

By a treaty of friendship, TIAS 10777, which entered into force Sept. 23, 1983, the United States recognized the sovereignty of Kiribati over Canton Island.

§ 55102. Transportation of merchandise

(a) DEFINITION.—In this section, the term “merchandise” includes—

- (1) merchandise owned by the United States Government, a State, or a subdivision of a State; and
- (2) valueless material.

(b) REQUIREMENTS.—Except as otherwise provided in this chapter or chapter 121 of this title, a vessel may not provide any part of the transportation of merchandise by water, or by land and water, between points in the United States to which the coastwise laws apply, either directly or via a foreign port, unless the vessel—

(1) is wholly owned by citizens of the United States for purposes of engaging in the coastwise trade; and

(2) has been issued a certificate of documentation with a coastwise endorsement under chapter 121 or is exempt from documentation but would otherwise be eligible for such a certificate and endorsement.

(c) PENALTY.—Merchandise transported in violation of subsection (b) is liable to seizure by and forfeiture to the Government. Alternatively, an amount equal to the value of the merchandise (as determined by the Secretary of Homeland Security) or the actual cost of the transportation, whichever is greater, may be recovered from any person transporting the merchandise or causing the merchandise to be transported.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1632.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55102	46 App.:883 (words before 1st proviso, 11th proviso).	June 5, 1920, ch. 250, §27 (words before 1st proviso, 11th proviso), 41 Stat. 999; July 2, 1935, ch. 355, 49 Stat. 442; Pub. L. 95-410, title II, §213, Oct. 3, 1978, 92 Stat. 904; Pub. L. 101-329 [100-329], §1(a)(1), [§1(a)] June 7, 1988, 102 Stat. 588; Pub. L. 102-587, title V, §5501(b), Nov. 4, 1992, 106 Stat. 5085.

In subsection (a)(1), the words “(as defined in section 2101 of the [sic] title 46)” are omitted because the definition of “State” is being moved to chapter 1 and will apply to the entire title.

In subsection (b), the words “may not provide any part of the transportation of” are substituted for “No . . . shall be transported” and “or for any part of the transportation” because of the reorganization of the language. The words “including Districts, Territories, and possessions thereof” are omitted because of the definition of “United States” in chapter 1 of the revised title. The words “to which the coastwise laws apply” are substituted for “embraced within the coastwise laws” for consistency with section 55101. The words “is wholly owned by citizens of the United States for purposes of engaging in the coastwise trade” are substituted for “owned by persons who are citizens of the United States”, and the words “has been issued a certificate of documentation with a coastwise endorsement under chapter 121” are substituted for “documented under the laws of the United States”, for clarity and consistency in the revised title. The words “or is exempt from documentation but would otherwise be eligible for such a certificate and endorsement” are added for consistency with section 12102 as revised by the bill. The requirement that the vessel be built in the United States is omitted from this section for consistency with the requirements for a coastwise endorsement, which also require that the vessel be built in the United States except in certain circumstances. The words “or vessels to which the privilege of engaging in the coastwise trade is extended by section 808 of this Appendix or section 22 of this Act” are omitted because the relevant portion of section 808, and section 22, have been repealed.

In subsection (c), the words “any person” are substituted for “any consignor, seller, owner, importer, consignee, agent, or other person or persons” to eliminate unnecessary words.

§ 55103. Transportation of passengers

(a) IN GENERAL.—Except as otherwise provided in this chapter or chapter 121 of this title, a ves-

sel may not transport passengers between ports or places in the United States to which the coastwise laws apply, either directly or via a foreign port, unless the vessel—

(1) is wholly owned by citizens of the United States for purposes of engaging in the coastwise trade; and

(2) has been issued a certificate of documentation with a coastwise endorsement under chapter 121 or is exempt from documentation but would otherwise be eligible for such a certificate and endorsement.

(b) **PENALTY.**—The penalty for violating subsection (a) is \$300 for each passenger transported and landed.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1633.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55103	46 App.:289.	June 19, 1886, ch. 421, §8, 24 Stat. 81; Feb. 17, 1898, ch. 26, §2, 30 Stat. 248.

This section is substituted for the source provision for consistency with section 55102. See 19 C.F.R. §§4.80, 4.80a (2004).

In subsection (b), the penalty amount reflects the adjustment for inflation pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990 (28 U.S.C. 2461 note). See 19 C.F.R. §4.80(b)(2) (2004).

§ 55104. Transportation of passengers between Puerto Rico and other ports in the United States

(a) **DEFINITIONS.**—In this section:

(1) **CERTIFICATE.**—The term “certificate” means a certificate of financial responsibility for indemnification of passengers for non-performance of transportation issued by the Federal Maritime Commission under section 44102 of this title.

(2) **PASSENGER VESSEL.**—The term “passenger vessel” means a vessel of similar size, or offering similar service, as any other vessel transporting passengers under subsection (b).

(b) **EXEMPTION.**—Except as otherwise provided in this section, a vessel not qualified to engage in the coastwise trade may transport passengers between a port in Puerto Rico and another port in the United States.

(c) **EXPIRATION OF EXEMPTION.**—

(1) **WHEN COASTWISE-QUALIFIED VESSEL OFFERING SERVICE.**—On a showing to the Secretary of the department in which the Coast Guard is operating, by the vessel owner or charterer, that a United States passenger vessel qualified to engage in the coastwise trade is offering or advertising passenger service between a port in Puerto Rico and another port in the United States pursuant to a certificate, the Secretary shall notify the owner or operator of each vessel transporting passengers under subsection (b) to terminate that transportation within 270 days after the Secretary’s notification. Except as provided in subsection (d), the authority to transport passengers under subsection (b) expires at the end of that 270-day period.

(2) **WHEN NON-COASTWISE-QUALIFIED VESSEL OFFERING SERVICE.**—On a showing to the Sec-

retary, by the vessel owner or charterer, that a United States passenger vessel not qualified to engage in the coastwise trade is offering or advertising passenger service between a port in Puerto Rico and another port in the United States pursuant to a certificate, the Secretary shall notify the owner or operator of each foreign vessel transporting passengers under subsection (b) to terminate that transportation within 270 days after the Secretary’s notification. Except as provided in subsection (d), the authority of a foreign vessel to transport passengers under subsection (b) expires at the end of that 270-day period.

(d) **DELAYING EXPIRATION.**—If the vessel offering or advertising the service described in subsection (c) has not begun that service within 270 days after the Secretary’s notification, the expiration provided by subsection (c) is delayed until 90 days after the vessel offering or advertising the service begins that service.

(e) **REINSTATEMENT OF EXEMPTION.**—If the Secretary finds that the service on which an expiration was based is no longer available, the expired authority to transport passengers is reinstated.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1633.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55104(a)(1) ..	46 App.:289c(b) (related to meaning of certificate).	Pub. L. 98–563, Oct. 30, 1984, 98 Stat. 2916.
55104(a)(2) ..	46 App.:289c(e).	
55104(b)	46 App.:289c(a).	
55104(c)	46 App.:289c(b).	
55104(d)	46 App.:289c(c).	
55104(e)	46 App.:289c(d).	

In subsection (a), the definition of “certificate” is added based on the language in 46 App. U.S.C. 289c(b)(1) and (2) to avoid repeating the substance of the definition twice in the section.

In subsection (b), the words “Notwithstanding any other provision of law” and “directly or by way of a foreign port” are omitted as unnecessary.

§ 55105. Transportation of hazardous waste

(a) **IN GENERAL.**—The transportation of hazardous waste, as defined in section 1004(5) of the Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6903(5)), from a point in the United States to sea for incineration is deemed to be transportation of merchandise under section 55102 of this title.

(b) **NONAPPLICATION TO CERTAIN FOREIGN VESSELS.**—

(1) **IN GENERAL.**—Subsection (a) does not apply to transportation performed by a foreign ocean incineration vessel owned by or under construction on May 1, 1982, for a corporation wholly owned by citizens of the United States under section 50501(a)–(c) of this title.

(2) **STANDARDS FOR INCINERATION EQUIPMENT.**—Incineration equipment on a vessel described in paragraph (1) must meet standards of the Coast Guard and the Environmental Protection Agency.

(3) **INSPECTION.**—A vessel described in paragraph (1) shall be inspected by the Coast Guard, regardless of whether inspected by the nation in which it is registered. The inspec-

tion shall be the same as would be required of a vessel of the United States, including dry-dock inspection and internal examination of tanks and void spaces. The inspection may be made concurrently with an inspection by that nation or within one year after the initial issuance or next scheduled issuance of the Safety of Life at Sea Safety Construction Certificate. In making the inspection, the Coast Guard shall refer to the condition of the hull and superstructure established by the initial foreign certification as the basis for evaluating the current condition of the hull and superstructure. The Coast Guard shall allow the substitution of fittings, material, apparatus, equipment, and appliances different from those required for vessels of the United States if satisfied they are equivalent and at least as effective as those required for vessels of the United States. A satisfactory inspection under this paragraph shall be certified in writing by the Secretary of the department in which the Coast Guard is operating.

(c) EFFECTIVE DATE.—Subsection (a) is not effective until an appropriate vessel has been built and documented under chapter 121 of this title.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1634; Pub. L. 109-241, title IX, § 902(o), July 11, 2006, 120 Stat. 569.)

AMENDMENT NOT SHOWN IN TEXT

The last sentence of subsection (b)(3) of this section was derived from the fifth sentence of section 883 of the former Appendix to this title, which was amended by Pub. L. 109-241, title IX, § 902(o), July 11, 2006, 120 Stat. 569. For applicability of that amendment to this section, see section 18(a) of Pub. L. 109-304, set out as a Legislative Purpose and Construction note preceding section 101 of this title. That amendment struck out “Satisfactory inspection shall be certified in writing by the Secretary of Transportation” and inserted “Satisfactory inspection shall be certified, in writing, by the Secretary of Homeland Security.”

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55105	46 App.:883 (2d-6th sentences, last sentence less provisos).	June 5, 1920, ch. 250, § 27 (2d-6th sentences, last sentence less provisos), 41 Stat. 999; July 2, 1935, ch. 355, 49 Stat. 442; Pub. L. 97-389, title V, § 502, Dec. 29, 1982, 96 Stat. 1954.

In subsection (a), the words “after December 31, 1983” are omitted as obsolete. The words “transportation of merchandise under section 55102 of this title” are substituted for “For the purposes of this section” and “transportation by water of merchandise between points in the United States” for consistency with section 55102.

In subsection (b)(2), the words “all current” are omitted as surplus.

Subsection (c) is substituted for “or after such time as an appropriate vessel has been constructed and documented as a vessel of the United States” to improve the organization.

REFERENCES IN TEXT

Section 1004(5) of the Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6903(5)), referred to in subsec. (a), probably means section 1004(5) of the Solid

Waste Disposal Act (42 U.S.C. 6903(5)), as added by section 2 of the Resource Conservation and Recovery Act of 1976, Pub. L. 94-580.

§ 55106. Merchandise transferred between barges

(a) IN GENERAL.—On terms and conditions the Secretary of Homeland Security may prescribe by regulation, the Secretary may suspend the application of section 55102 of this title to the transportation of merchandise that is transferred, when moving in the foreign trade of the United States, from a barge certified by the owner or operator as designed specifically for carriage on a vessel and carried regularly on a vessel in foreign trade, to another such barge owned or leased by the same owner or operator. However, this subsection does not apply to transportation between the continental United States and noncontiguous States, territories, or possessions to which the coastwise laws apply.

(b) RECIPROCITY REQUIREMENT FOR FOREIGN VESSELS.—This section applies to a vessel of foreign registry only if the Secretary of Homeland Security finds, based on information from the Secretary of State, that the government of the nation of registry extends reciprocal privileges to vessels of the United States.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1635.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55106	46 App.:883 (7th proviso).	June 5, 1920, ch. 250, § 27 (7th proviso), 41 Stat. 999; July 2, 1935, ch. 355, 49 Stat. 442; Pub. L. 92-163, § 1, Nov. 23, 1971, 85 Stat. 486.

In subsection (a), the words “non-self-propelled” are omitted as unnecessary because of the definition of “barge” in chapter 1 of the revised title. The words “between points in the United States” and “without regard to whether any such barge is under foreign registry or qualified to engage in the coastwise trade” are omitted as surplus.

§ 55107. Empty cargo containers and barges

(a) IN GENERAL.—Subject to subsections (b) and (c), and on terms and conditions the Secretary of Homeland Security may prescribe by regulation, section 55102 of this title does not apply to the transportation of—

(1) empty cargo vans, empty lift vans, or empty shipping tanks;

(2) equipment for use with cargo vans, lift vans, or shipping tanks;

(3) empty barges specifically designed for carriage aboard a vessel and equipment (except propulsion equipment) for use with those barges;

(4) empty instruments for international traffic exempted from the customs laws under section 322(a) of the Tariff Act of 1930 (19 U.S.C. 1322(a)); or

(5) stevedoring equipment and material.

(b) CONDITIONS.—

(1) PARAGRAPHS (1)–(4).—Paragraphs (1)–(4) of subsection (a) apply only if the items named are owned or leased by the owner or operator of the vessel and transported for its use in handling its cargo in foreign trade.

(2) PARAGRAPH (5).—Paragraph (5) of subsection (a) applies only if the items named are—

(A) owned or leased by the owner or operator of the vessel or by the stevedoring company having the contract for the loading or unloading of the vessel; and

(B) transported without charge for use in the handling of cargo in foreign trade.

(c) RECIPROCITY REQUIREMENT FOR FOREIGN VESSELS.—This section applies to a vessel of foreign registry only if the Secretary of Homeland Security finds, based on information from the Secretary of State, that the government of the nation of registry extends reciprocal privileges to vessels of the United States.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1635.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55107	46 App.:883 (6th proviso).	June 5, 1920, ch. 250, §27 (6th proviso), 41 Stat. 999; July 2, 1935, ch. 355, 49 Stat. 442; Pub. L. 89-194, Sept. 21, 1965, 79 Stat. 823; Pub. L. 90-474, Aug. 11, 1968, 80 Stat. 700; Pub. L. 92-163, §1, Nov. 23, 1971, 85 Stat. 486.

In subsection (a), before paragraph (1), the words “by vessels of the United States not qualified to engage in the coastwise trade, or by vessels of foreign registry” are omitted as unnecessary. In paragraph (4), the words “by the Secretary of the Treasury” are omitted as unnecessary because the section referred to provides who administers it.

§ 55108. Platform jackets

(a) DEFINITIONS.—In this section:

(1) COASTWISE QUALIFIED VESSEL.—The term “coastwise qualified vessel” means a vessel that has been issued a certificate of documentation with a coastwise endorsement under chapter 121 of this title.

(2) PLATFORM JACKET.—The term “platform jacket” refers to a single physical component and includes any type of offshore exploration, development, or production structure or component thereof, including—

(A) platform jackets;

(B) tension leg or SPAR platform superstructures (including the deck, drilling rig and support utilities, and supporting structure);

(C) hull (including vertical legs and connecting pontoons or vertical cylinder);

(D) tower and base sections of a platform jacket;

(E) jacket structures; and

(F) deck modules (known as “topsides”).

(b) AUTHORIZED TRANSPORTATION.—Section 55102 of this title does not apply to the transportation of a platform jacket in or on a non-coastwise qualified launch barge between two points in the United States, at one of which there is an installation or other device within the meaning of section 4(a) of the Outer Continental Shelf Lands Act (43 U.S.C. 1333(a)), if—

(1) the launch barge was built before December 31, 2000, and has a launch capacity of at least 12,000 long tons; and

(2) the Secretary of Transportation makes a determination, in accordance with procedures established under subsection (c), that a suitable coastwise qualified vessel is not available for use in the transportation and, if needed, launch or installation of a platform jacket.

(c) PROCEDURES TO MAXIMIZE USE OF COASTWISE QUALIFIED VESSELS.—The Secretary of Transportation shall adopt procedures implementing this section that are reasonably designed to provide timely information so as to maximize the use of coastwise qualified vessels. The procedures shall, among other things, establish that for purposes of this section, a coastwise qualified vessel shall be deemed to be not available only if—

(1) on application by an owner or operator for the use of a non-coastwise qualified launch barge for transportation of a platform jacket under this section (which application shall include all relevant information, including engineering details and timing requirements), the Secretary promptly publishes a notice in the Federal Register—

(A) describing the project and the platform jacket involved;

(B) advising that all relevant information reasonably needed to assess the transportation requirements for the platform jacket will be made available to interested parties on request; and

(C) requesting that information on the availability of coastwise qualified vessels be submitted within 30 days after publication of that notice; and

(2)(A) no information is submitted to the Secretary within that 30 day period; or

(B) the owner or operator of a coastwise qualified vessel submits information to the Secretary asserting that the owner or operator has a suitable coastwise qualified vessel available for the transportation, but the Secretary determines, within 90 days after the notice is first published, that the coastwise qualified vessel is not suitable or reasonably available for the transportation.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1636.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55108	46 App.:883 (last proviso).	June 5, 1920, ch. 250, §27 (last proviso), 41 Stat. 999; July 2, 1935, ch. 355, 49 Stat. 442; Pub. L. 101-329 [100-329], §1(a)(2), June 7, 1988, 102 Stat. 588; Pub. L. 107-295, title II, §213(c), Nov. 25, 2002, 116 Stat. 2100; Pub. L. 108-293, title IV, §417, Aug. 9, 2004, 118 Stat. 1048.

In subsection (a), the words “coastwise endorsement under chapter 121” are substituted for “coastwise endorsement under section 12106” because section 12106 is being restated in various sections in revised chapter 121.

In subsection (b), the words “Section 55102 of this title does not apply” are substituted for “shall not be deemed transportation subject to this section” for consistency in the chapter.

§ 55109. Dredging

(a) IN GENERAL.—Except as provided in subsection (b), a vessel may engage in dredging in the navigable waters of the United States only if—

(1) the vessel is wholly owned by citizens of the United States for purposes of engaging in the coastwise trade;

(2) the charterer, if any, is a citizen of the United States for purposes of engaging in the coastwise trade; and

(3) the vessel has been issued a certificate of documentation with a coastwise endorsement under chapter 121 of this title or is exempt from documentation but would otherwise be eligible for such a certificate and endorsement.

(b) DREDGING OF GOLD IN ALASKA.—A documented vessel with a registry endorsement may engage in the dredging of gold in Alaska.

(c) PENALTY.—If a vessel is operated in knowing violation of this section, the vessel and its equipment are liable to seizure by and forfeiture to the United States Government.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1637.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55109	46 App.:292.	May 28, 1906, ch. 2566, §1, 34 Stat. 204; Pub. L. 102–87, title V, §5501(a)(1), Nov. 4, 1992, 106 Stat. 5084.

Subsection (a)(1) is substituted for “(1) the vessel meets the requirements of section 883 of this Appendix and sections 802 and 803 of this Appendix for engaging in the coastwise trade” for consistency with other sections of the revised title and to eliminate unnecessary words. Section 883 requires (among other things) that the vessel be owned by citizens of the United States, and section 802 contains the requirements for certain entities to qualify as citizens. Those requirements are restated in section 50501 which applies to this section. Section 883 also requires that the vessel be built in and documented under the laws of the United States. Those latter two requirements are covered by subsection (a)(3). Note that the build requirement is a requirement for a coastwise endorsement.

In subsection (a)(3), the words “or is exempt from documentation but would otherwise be eligible for such a certificate and endorsement” are added for consistency with section 12102 as revised by the bill.

NONAPPLICABILITY TO CERTAIN VESSELS

Pub. L. 109–304, §19, Oct. 6, 2006, 120 Stat. 1711, repealed section 1 of act May 28, 1906, ch. 2566, 34 Stat. 204 (section 292 of the former Appendix to this title, from which this section was derived), except as may be applicable under section 5501(a)(2) of Pub. L. 102–587, set out below.

Pub. L. 102–587, title V, §5501(a)(2), (3), Nov. 4, 1992, 106 Stat. 5084, as amended by Pub. L. 109–304, §17(i), Oct. 6, 2006, 120 Stat. 1709, provided that:

“(2) The amendment made by paragraph (1) [amending section 292 of the former Appendix to this title, from which this section was derived] does not apply to—

“(A)(i) the vessel STUYVESANT, official number 648540;

“(ii) any other hopper dredging vessel documented under chapter 121 of title 46, United States Code before the effective date of this Act [Nov. 4, 1992] and chartered to Stuyvesant Dredging Company or to an entity in which it has an ownership interest; how-

ever, this exception expires on December 3, 2022 or when the vessel STUYVESANT ceases to be documented under chapter 121, whichever first occurs; and

“(iii) any other non-hopper dredging vessel documented under chapter 121 and chartered to Stuyvesant Dredging Company or to an entity in which it has an ownership interest, as is necessary (a) to fulfill dredging obligations under a specific contract, including any extension periods; or (b) as temporary replacement capacity for a vessel which has become disabled but only for so long as the disability shall last and until the vessel is in a position to fully resume dredging operations; however, this exception expires on December 8, 2022 or when the vessel STUYVESANT ceases to be documented under chapter 121, whichever first occurs;

“(B) the vessel COLUMBUS, official number 590658, except that the vessel’s certificate of documentation shall be endorsed to prohibit the vessel from engaging in the transportation of merchandise (except valueless material), including dredge material of value, between places within the navigable waters of the United States;

“(C) a vessel that is engaged in dredged material excavation if that excavation is not more than a minority of the total cost of the construction contract in which the excavation is a single, integral part, and the vessel is—

“(i) built in the United States;

“(ii) a non-self-propelled mechanical clamshell dredging vessel; and

“(iii) owned or chartered by a corporation that had on file with the Secretary of Transportation, on August 1, 1989, the certificate specified in section 27A of the Merchant Marine Act, 1920 (46 App. U.S.C. 883–1) [now 46 U.S.C. 12118]; or

“(D) any other documented vessel engaged in dredging and time chartered to an entity that, on August 1, 1989, was, and has continuously remained, the parent of a corporation that had on file with the Secretary of Transportation on August 1, 1989, a certificate specified in section 27A of the Merchant Marine Act, 1920 (46 App. U.S.C. 883–1) [now 46 U.S.C. 12118] if the vessel is—

“(i) not engaged in a federally funded navigation dredging project; and

“(ii) engaged only in dredging associated with, and integral to, accomplishment of that parent’s regular business requirements.

“(3) The exceptions provided by paragraph (2) shall apply under section 55109 of title 46, United States Code, to the same extent as under former section 1 of the Act of May 28, 1906 [section 292 of the former Appendix to this title, from which this section was derived], as amended by paragraph (1).”

HISTORICAL AND REVISION NOTES

[H.R. Rep. No. 109–170, at 180 (2005) provided: Section 17(i) of the bill [H.R. 1442, enacted as Pub. L. 109–304] amends section 5501(a) of the Oceans Act of 1992 (Public Law 102–587, 106 Stat. 5084) [see note above] by adding a new paragraph (3). The intent of this amendment is to maintain the status quo under paragraph (2) of section 5501(a) of that Act, as it exists prior to the enactment of this codification legislation. Section 55109 of title 46, United States Code, as contained in this bill, is intended as a codification without substantive change of section 1 of the Act of May 28, 1906, as amended (46 App. U.S.C. 292). Therefore, the exceptions from that latter provision, which currently exist under such paragraph (2), are intended to continue to exist to the same extent under new section 55109 of title 46. In addition, if the original intent of such paragraph (2) was that the restriction contained in the pre-1992 amended version of that 1906 provision continues to apply to the vessels, persons, and entities described in such paragraph (2), then that outcome is intended to remain unchanged by this legislation, despite the repeal by this legislation of that 1906 provision. No expression as to the original intent of such paragraph (2) is intended by this legislation.]

§ 55110. Transportation of dredged material

Section 55102 of this title applies to the transportation of valueless material or dredged material, regardless of whether it has commercial value, from a point in the United States or on the high seas within the exclusive economic zone, to another point in the United States or on the high seas within the exclusive economic zone.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1637.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55110	46 App. 883 (12th proviso).	June 5, 1920, ch. 250, § 27 (12th proviso), 41 Stat. 999; Pub. L. 100–329, § 1(a), June 7, 1988, 102 Stat. 588.

The words “or place” are omitted as surplus. The words “as defined in the Presidential Proclamation of March 10, 1983” are omitted because “exclusive economic zone” is defined in chapter 1 of the revised title.

NONAPPLICABILITY OF PUB. L. 100–329 TO CERTAIN VESSELS

Pub. L. 102–587, title V, § 5501(c), Nov. 4, 1992, 106 Stat. 5085, provided that: “The Act of June 7, 1988 (Public Law 100–329; 102 Stat. 588) [amending sections 316 and 883 (from which this section was derived) of the former Appendix to this title and enacting provisions set out below], including the amendments made by that Act, does not apply to a vessel—

“(1) engaged in the transportation of valueless material or valueless dredged material; and

“(2) owned or chartered by a corporation that had on file with the Secretary of Transportation on August 1, 1989, the certificate specified in section 27A of the Merchant Marine Act, 1920 (46 App. U.S.C. 883–1) [now 46 U.S.C. 12118].”

TRANSPORTATION OF MUNICIPAL SEWAGE SLUDGE

Pub. L. 100–329, § 3, June 7, 1988, 102 Stat. 589, provided that: “Notwithstanding the provisions of section 1 of this Act [amending section 883 of the former Appendix to this title, from which this section was derived], a vessel may transport municipal sewage sludge if that vessel, regardless of where it was built, is documented under the laws of the United States and, on the date of enactment of this Act [June 7, 1988], that vessel—

“(1) is in use by a municipality for the transportation of sewage sludge; or

“(2) is under contract with a municipality for the transportation of sewage sludge.”

VESSEL UNDER CONTRACT WITH MUNICIPALITY FOR TRANSPORTATION OF SEWAGE SLUDGE: APPLICABILITY OF PROVISIONS

Pub. L. 100–329, § 4, June 7, 1988, 102 Stat. 589, provided that: “For purposes of the first paragraph of section 805(a) of the Merchant Marine Act, 1936 (46 App. U.S.C. 1223(a)) [now 46 U.S.C. 58101], a vessel described in section 3(2) of this Act [set out as a note above] is not a vessel engaged in domestic intercoastal or coastwise service, but the prohibitions in the second paragraph apply to that vessel.”

CERTIFICATE OF DOCUMENTATION TO VESSEL TRANSPORTING VALUELESS MATERIAL IN COASTWISE TRADE, OR DREDGED MATERIAL, WHETHER OR NOT OF VALUE; ISSUANCE, ENDORSEMENT, ETC.

Pub. L. 100–329, § 5, June 7, 1988, 102 Stat. 589, provided that: “Notwithstanding the provisions of section 1 of this Act [amending section 883 of the former Appendix to this title, from which this section was derived], the Secretary of the department in which the Coast Guard

is operating may issue a certificate of documentation under section 12106 [see section 12112] of title 46, United States Code, to a vessel that—

“(1) is engaged in transporting only valueless material in the coastwise trade or transporting dredged material, whether or not of value, (A) from a point or place on the high seas within the Exclusive Economic Zone as defined in the Presidential Proclamation of March 10, 1983 [16 U.S.C. 1453 note], to a point or place in the United States or to another point or place on the high seas within such Exclusive Economic Zone or (B) from a point or place within the United States to a point or place on the high seas within such Exclusive Economic Zone;

“(2) had a certificate of documentation issued under section 12105 [see section 12111] of that title on October 1, 1987;

“(3) had been sold foreign or placed under a foreign registry before that certificate was issued; and

“(4) was built in the United States;

except that such certificate of documentation shall be endorsed to restrict the use of such vessel to the transportation of valueless material in the coastwise trade, and to the transportation of dredged material, whether or not of value, (i) from a point or place on the high seas within such Exclusive Economic Zone to a point or place in the United States or to another point or place on the high seas within such Exclusive Economic Zone, or (ii) from a point or place within the United States to a point or place on the high seas within such Exclusive Economic Zone.”

§ 55111. Towing

(a) IN GENERAL.—Except when towing a vessel in distress, a vessel may not do any part of any towing described in subsection (b) unless the towing vessel—

(1) is wholly owned by citizens of the United States for purposes of engaging in the coastwise trade; and

(2) has been issued a certificate of documentation with a coastwise endorsement under chapter 121 of this title or is exempt from documentation but would otherwise be eligible for such a certificate and endorsement.

(b) APPLICABLE TOWING.—Subsection (a) applies to the towing of—

(1) a vessel between ports or places in the United States to which the coastwise laws apply, either directly or via a foreign port or place;

(2) a vessel from point to point within the harbors of ports or places to which the coastwise laws apply; or

(3) a vessel transporting valueless material or dredged material, regardless of whether it has commercial value, from a point in the United States or on the high seas within the exclusive economic zone, to another point in the United States or on the high seas within the exclusive economic zone.

(c) PENALTIES.—

(1) OWNER AND MASTER.—The owner and master of a vessel towing another vessel in violation of this section are each liable for a penalty of at least \$350 but not more than \$1,100. A penalty under this paragraph constitutes a lien on the vessel. The lien is enforceable in a district court of the United States for any district in which the vessel is found. Clearance may not be granted to the vessel until the penalties have been paid.

(2) VESSEL.—In addition to the penalties under paragraph (1), the towing vessel is liable for a penalty of \$60 per ton based on the tonnage of each towed vessel.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1637.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55111	46 App.:316(a), (b).	R.S. §4370; June 11, 1940, ch. 324, 54 Stat. 304; Pub. L. 99–307, §10, May 19, 1986, 100 Stat. 447; Pub. L. 100–329, §2, June 7, 1988, 102 Stat. 589; Pub. L. 104–324, title XI, §1115(b)(3), Oct. 19, 1996, 110 Stat. 3972.

In subsection (a), the words “or to do any part of such towing” and “other than a vessel in distress” in the source provision are made applicable to all the towing described in subsection (b) for clarity and consistency. In paragraph (1), the words “wholly owned by citizens of the United States for purposes of engaging in the coastwise trade” are substituted for “wholly owned by a person who is a citizen of the United States within the meaning of the laws respecting the documentation of vessels” for consistency in this chapter.

Subsection (a)(2) is substituted for “having in force a certificate of documentation issued under section 12106 of title 46” for consistency in this chapter and with section 12102(b) as revised by the bill.

In subsection (b)(1), the words “in the United States to which the coastwise laws apply” are substituted for “in the United States, its Territories or possessions, embraced within the coastwise laws of the United States” because of the definition of “United States” in chapter 1 of the revised title and because of section 55101 of the revised title.

In subsection (b)(3), the words “or place” are omitted as surplus. The words “as defined in the Presidential Proclamation of March 10, 1983” are omitted because “exclusive economic zone” is defined in chapter 1 of the revised title.

In subsection (c), the penalty amounts reflect the adjustment for inflation pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990 (28 U.S.C. 2461 note). See 19 C.F.R. §4.92 (2004). In paragraph (2), the words “which sum may be recovered by way of libel or suit” are omitted as surplus.

The text of 46 App. U.S.C. 316(b) is omitted as unnecessary because of the definition of “person” in section 1 of title 1.

NONAPPLICABILITY OF PUB. L. 100–329 TO CERTAIN VESSEL

Amendment by Pub. L. 100–329 to section 316 of the former Appendix to this title, from which this section was derived, not applicable to a vessel engaged in the transportation of valueless material or valueless dredged material and owned or chartered by a corporation that had on file with Secretary of Transportation on Aug. 1, 1989, the certificate specified in section 883–1 of the former Appendix to this title (now section 12118 of this title), see section 5501(c) of Pub. L. 102–587, set out as a note under section 55110 of this title.

§ 55112. Vessel escort operations and towing assistance

(a) IN GENERAL.—Except in the case of a vessel in distress, only a vessel of the United States may perform the following escort vessel operations within the navigable waters of the United States:

(1) Operations that commence or terminate at a port or place in the United States.

(2) Operations required by United States law or regulation.

(3) Operations provided in whole or in part within or through navigation facilities owned, maintained, or operated by the United States Government or the approaches to those facilities, other than facilities operated by the St. Lawrence Seaway Development Corporation on the St. Lawrence River portion of the Seaway.

(b) ESCORT VESSELS.—For purposes of this section, an escort vessel is—

(1) any vessel that is assigned and dedicated to assist another vessel, whether or not tethered to that vessel, solely as a safety precaution to assist in controlling the speed or course of the assisted vessel in the event of a steering or propulsion equipment failure, or any other similar emergency circumstance, or in restricted waters where additional assistance in maneuvering the vessel is required to ensure its safe operation; and

(2) in the case of a vessel being towed under section 55111 of this title, any vessel that is assigned and dedicated to the vessel being towed in addition to any towing vessel required under that section.

(c) RELATIONSHIP TO OTHER LAW.—This section does not affect section 55111 of this title.

(d) PENALTY.—A person violating this section is liable to the Government for a civil penalty of not more than \$10,000 for each day during which the violation occurs.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1638.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55112	46 App.:316a.	Pub. L. 107–295, title IV, §404, Nov. 25, 2002, 116 Stat. 2114.

In subsection (a), the words “(as that term is defined in section 2101 of title 46, United States Code)” are omitted because the definition of “vessel of the United States” is being moved from section 2101 to chapter 1 of the revised title and will apply title-wide.

§ 55113. Use of foreign documented oil spill response vessels

Notwithstanding any other provision of law, an oil spill response vessel documented under the laws of a foreign country may operate in waters of the United States on an emergency and temporary basis, for the purpose of recovering, transporting, and unloading in a United States port oil discharged as a result of an oil spill in or near those waters, if—

(1) an adequate number and type of oil spill response vessels documented under the laws of the United States cannot be engaged to recover oil from an oil spill in or near those waters in a timely manner, as determined by the Federal On-Scene Coordinator for a discharge or threat of a discharge of oil; and

(2) the foreign country has by its laws accorded to vessels of the United States the same privileges accorded to vessels of the foreign country under this section.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1638.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55113	46:12101 note.	Pub. L. 104-324, title XI, §1117, Oct. 19, 1996, 110 Stat. 3973.

§ 55114. Unloading fish from foreign vessels

(a) PROHIBITIONS.—Except as otherwise provided by this section or a treaty or convention to which the United States is a party, a foreign vessel may not unload, in a port of the United States—

(1) its catch of fish taken on board on the high seas or fish products processed from that catch of fish; or

(2) fish or fish products taken on board that vessel on the high seas from a vessel engaged in fishing operations or the processing of fish or fish products.

(b) REGULATIONS ON OBTAINING INFORMATION.—The Secretary of Commerce may prescribe regulations the Secretary considers necessary to obtain information on the transportation of fish products by vessels of the United States for foreign fish processing vessels to points in the United States.

(c) VIRGIN ISLANDS.—

(1) IN GENERAL.—A foreign vessel of not more than 50 feet overall in length may unload its catch of fresh fish (whole or with the heads, viscera, or fins removed, but not frozen, otherwise processed, or further advanced) in a port of the Virgin Islands for immediate consumption in those islands. Fish unloaded under this paragraph may be sold or transferred only for immediate consumption. In the absence of satisfactory evidence that a sale or transfer to an agent, representative, or employee of a freezer or cannery is for immediate consumption, the sale or transfer is deemed not to be for immediate consumption. This paragraph does not prohibit the freezing, smoking, or other processing of fresh fish by the ultimate consumer of the fish.

(2) SEIZURE, FORFEITURE, AND PENALTY.—Fish unloaded in the Virgin Islands that are retained, sold, or transferred, except as allowed by paragraph (1), are liable to seizure by and forfeiture to the United States Government. A person retaining, selling, transferring, buying, or receiving the fish is liable to the Government for a civil penalty of not more than \$1,000 for each violation. A penalty or forfeiture under this paragraph may be compromised, modified, or remitted under section 2107(b) of this title.

(d) NORTHERN MARIANA ISLANDS.—Subsection (a) does not apply to the Northern Mariana Islands.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1639.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55114(a)	46 App.:251(a) (1st sentence).	R.S. §4311; Sept. 2, 1950, ch. 842, 64 Stat. 577; Pub. L. 87-220, §1, Sept. 13, 1961, 75 Stat. 493; Pub. L. 96-61, §2, Aug. 15, 1979, 93 Stat. 407; Pub. L. 96-594, title I, §126(b), Dec. 24, 1980, 94 Stat. 3459; Pub. L. 100-239, §8(a), Jan. 11, 1988, 101 Stat. 1783.
55114(b)	46 App.:251(a) (last sentence).	
55114(c)(1) ..	46 App.:251(b).	
55114(c)(2) ..	46 App.:251(c).	
	46 App.:251a.	Pub. L. 87-220, §2, Sept. 13, 1961, 75 Stat. 493.
55114(d)	48:1801 note (Covenant §503(b)).	

In subsection (a), before paragraph (1), the words “whether documented as a cargo vessel or otherwise” are omitted as unnecessary.

In subsection (c)(2), the words “severally” and “in addition to any other penalty provided in law” are omitted as unnecessary. The last sentence is substituted for 46 App. U.S.C. 251a.

Subsection (d) is based on section 503(b) of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union With the United States of America (48 U.S.C. 1801 note).

§ 55115. Supplies on fish processing vessels

Section 55102 of this title does not apply to supplies aboard a United States documented fish processing vessel that are necessary and used for processing or assembling fishery products aboard such a vessel.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1640.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55115	46 App.:883 (10th proviso).	June 5, 1920, ch. 250, §27 (10th proviso), 41 Stat. 999; July 2, 1935, ch. 355, 49 Stat. 442; Pub. L. 97-389, title V, §504, Dec. 29, 1982, 96 Stat. 1956.

The words “Section 55102 of this title does not apply to” are substituted for “for the purposes of this section” and “shall be considered ship’s equipment and not merchandise” for consistency in the chapter.

§ 55116. Canadian rail lines

Section 55102 of this title does not apply to the transportation of merchandise between points in the continental United States, including Alaska, over through routes in part over Canadian rail lines and connecting water facilities if the routes are recognized by the Surface Transportation Board and rate tariffs for the routes have been filed with the Board.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1640.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55116	46 App.:883 (3d proviso).	June 5, 1920, ch. 250, §27 (3d proviso), 41 Stat. 999; July 2, 1935, ch. 355, 49 Stat. 442; Pub. L. 85-508, §27(a), July 7, 1958, 72 Stat. 351; Pub. L. 104-324, title VII, §747(1), Oct. 19, 1996, 110 Stat. 3943.

§ 55117. Great Lakes rail route

Section 55102 of this title does not apply to the transportation of merchandise loaded on a railroad car or to a motor vehicle with or without a trailer, and with its passengers or contents when accompanied by the operator, when the railroad car or motor vehicle is transported in a railroad car ferry operated between fixed terminals on the Great Lakes as part of a rail route, if—

(1) the car ferry is owned by a common carrier by water and operated as part of a rail route with the approval of the Surface Transportation Board;

(2) the stock of the common carrier by water, or its predecessor, was owned or controlled by a common carrier by rail prior to June 5, 1920;

(3) the stock of the common carrier owning the car ferry is, with the approval of the Board, now owned or controlled by a common carrier by rail; and

(4) the car ferry is built in and documented under the laws of the United States.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1640.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55117	46 App.:883 (5th proviso).	June 5, 1920, ch. 250, §27, as added Apr. 11, 1935, ch. 58, 49 Stat. 154.

§ 55118. Foreign railroads whose road enters by ferry, tugboat, or towboat

A foreign railroad, whose road enters the United States by ferry, tugboat, or towboat, may own and operate a vessel not having a coastwise endorsement in connection with the water transportation of the passenger, freight, express, baggage, and mail cars used by that road, together with the passengers, freight, express matter, baggage, and mails transported in those cars. However, the foreign railroad is subject to the same restrictions imposed by law on a vessel of the United States entering a port of the United States from the same foreign country. Except as otherwise authorized by this chapter, the ferry, tugboat, or towboat may not, under penalty of forfeiture, be used in the transportation of merchandise between ports or places in the United States to which the coastwise laws apply.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1640.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55118	46 App.:316(c).	R.S. §4370(c); restated June 11, 1940, ch. 324, 54 Stat. 304.

The words “company or corporation” after “foreign railroad” are omitted as unnecessary. The words “vessel not having a coastwise endorsement” are substituted for “such vessel” (referring to a vessel described in 46 App. U.S.C. 316(a)) for clarity and because of the reorganization of the source material in the revised title. The words “However, the foreign railroad is subject to the same restrictions imposed by law on a vessel of the United States entering a port of the

United States from the same foreign country” are substituted for “without being subject to any other or different restrictions than those imposed by law on any vessel of the United States entering ports of the United States from ports in the same foreign country” to eliminate unnecessary words. The words “Except as otherwise authorized by this chapter” are substituted for “except as authorized by section 883 of this Appendix” because of the reorganization of the source material in the revised title. The words “its Territories or possessions” are omitted as unnecessary because of the definition of “United States” in chapter 1 of the revised title.

§ 55119. Yukon River

Section 55102 of this title does not apply to the transportation of merchandise on the Yukon River until the Alaska Railroad is completed and the Secretary of Transportation finds that proper facilities will be available for transportation by citizens of the United States to properly handle the traffic.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1640.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55119	46 App.:883 (4th proviso).	June 5, 1920, ch. 250, §27 (4th proviso), 41 Stat. 999; Exec. Order No. 6166, June 10, 1933, §12; July 2, 1935, ch. 355, 49 Stat. 442; June 29, 1936, ch. 856, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Reorg. Plan No. 21 of 1950, eff. May 24, 1950, §204, 64 Stat. 1276; Pub. L. 97–31, §12(49), Aug. 6, 1981, 95 Stat. 157.

§ 55120. Transshipment of imported merchandise intended for immediate exportation

The Secretary of Homeland Security may prescribe regulations for the transshipment and transportation of merchandise that is imported into the United States by sea for immediate exportation to a foreign port by sea, or by a river, the right to ascend or descend which for the purposes of commerce is secured by treaty to the citizens of the United States and the subjects of a foreign power.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1641.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55120	46 App.:291.	Feb. 17, 1898, ch. 26, §3, 30 Stat. 248.

§ 55121. Transportation of merchandise and passengers on Canadian vessels

(a) BETWEEN ROCHESTER AND ALEXANDRIA BAY.—Until passenger service is established by vessels of the United States between the port of Rochester, New York, and the port of Alexandria Bay, New York, the Secretary of Homeland Security may issue annually permits to Canadian passenger vessels to transport passengers between those ports. Canadian vessels holding such a permit are not subject to section 55103 of this title.

(b) WITHIN ALASKA OR BETWEEN ALASKA AND OTHER POINTS IN THE UNITED STATES.—Until the

Secretary of Transportation determines that service by vessels of the United States is available to provide the transportation described in paragraph (1) or (2), sections 55102 and 55103 of this title do not apply to the transportation on Canadian vessels of—

- (1) passengers between ports in southeastern Alaska; or
- (2) passengers or merchandise between Hyder, Alaska, and other points in southeastern Alaska or in the United States outside Alaska.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1641.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55121(a)	46 App.:289a.	Apr. 26, 1938, ch. 174, 52 Stat. 223; 1946 Reorg. Plan No. 3, §§ 101–104, eff. July 16, 1946, 11 F.R. 7875, 60 Stat. 1097.
55121(b)	46 App.:289b.	Pub. L. 87–77, June 30, 1961, 75 Stat. 196; Pub. L. 97–31, § 12(22), Aug. 6, 1981, 95 Stat. 155.

In subsection (a), the Secretary of Homeland Security is substituted for the Commissioner of Customs because the functions of the Customs Service and of the Secretary of the Treasury relating thereto were transferred to the Secretary of Homeland Security by section 403(1) of the Homeland Security Act of 2002 (Pub. L. 107–296, 116 Stat. 2178). The functions of the Commissioner of Customs previously were vested in the Secretary of the Treasury under section 321(c) of title 31. For prior related transfers of functions, see the transfer of functions note under 46 App. U.S.C. 289a.

CHAPTER 553—PASSENGER AND CARGO PREFERENCES

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SUBCHAPTER I—GENERAL

§ 55301. Priority loading for coal

A vessel engaged in the coastwise transportation of coal produced in the United States, from a port in the United States to another port in the United States, shall be given priority in loading at any of those ports ahead of a waiting vessel engaged in the export transportation of coal produced in the United States. However, if the Secretary of Transportation finds that it is in the national interest, the Secretary may eliminate this priority loading at any port. The Secretary shall report to Congress within 30 days an action eliminating priority loading under this section.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1642.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55301	46 App.:1121–1.	Pub. L. 96–387, § 5, Oct. 7, 1980, 94 Stat. 1546; Pub. L. 97–31, § 12(68), Aug. 6, 1981, 95 Stat. 159; Pub. L. 99–662, title IX, § 947, Nov. 17, 1986, 100 Stat. 4200.

§ 55302. Transportation of United States Government personnel

(a) IN GENERAL.—An officer or employee of the United States Government traveling by sea on official business overseas or to or from a territory or possession of the United States shall travel and transport personal effects on a vessel documented under the laws of the United States if such a vessel is available, unless the necessity of the mission requires the use of a foreign vessel.

(b) REGULATIONS.—The Administrator of General Services shall prescribe regulations under which agencies may not pay for or reimburse an officer or employee for travel or transportation expenses incurred on a foreign vessel in the absence of satisfactory proof of the necessity of using the vessel.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1642.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55302	46 App.:1241(a).	June 29, 1936, ch. 858, title IX, § 901(a), 49 Stat. 2015; Aug. 26, 1954, ch. 936, 68 Stat. 832; Pub. L. 104–316, title I, § 125, Oct. 19, 1996, 110 Stat. 3839.

In subsection (a), the words “by sea” are added for clarity. The words “a territory or possession of the United States” are substituted for “any of the possessions of the United States” for consistency in the revised title.

EXEMPTIONS

Functions authorized by Foreign Assistance Act of 1961, as amended, as exempt, see Ex. Ord. No. 11223, eff. May 12, 1965, 30 F.R. 6635, set out under section 2393 of Title 22, Foreign Relations and Intercourse.

§ 55303. Motor vehicles owned by United States Government personnel

Notwithstanding any other law, privately-owned American shipping services may be used

to transport motor vehicles owned by personnel of the United States Government whenever transportation of those vehicles at Government expense is otherwise authorized by law.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1642.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55303	46 App.:1241(c).	June 29, 1936, ch. 858, title IX, §901(c), as added May 28, 1956, ch. 325, 70 Stat. 187.

§ 55304. Exports financed by the United States Government

It is the sense of Congress that any loans made by an instrumentality of the United States Government to foster the exporting of agricultural or other products shall provide that the products may be transported only on vessels of the United States unless, as to any or all of those products, the Secretary of Transportation, after investigation, certifies to the instrumentality that vessels of the United States are not available in sufficient number, in sufficient tonnage capacity, on necessary schedules, or at reasonable rates.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1642.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55304	46 App.:1241–1.	Mar. 26, 1934, ch. 90, 48 Stat. 500; June 29, 1936, ch. 858, §204, 49 Stat. 1987; Pub. L. 97–31, §12(127), Aug. 6, 1981, 95 Stat. 165.

This section codifies the Joint Resolution of March 26, 1934 (ch. 90, 48 Stat. 500) (also commonly known as Public Resolution 17). The codification of this provision is not intended to change its status as a “Sense of Congress” provision in any way. The words “Reconstruction Finance Corporation or” are omitted as obsolete because the Reconstruction Finance Corporation was abolished by section 6 of Reorganization Plan No. 1 of 1957 (5 App. U.S.C.).

§ 55305. Cargoes procured, furnished, or financed by the United States Government

(a) DEFINITION.—In this section, the term “privately-owned commercial vessel of the United States” does not include a vessel that, after September 21, 1961, was built or rebuilt outside the United States or documented under the laws of a foreign country, until the vessel has been documented under the laws of the United States for at least 3 years.

(b) MINIMUM TONNAGE.—When the United States Government procures, contracts for, or otherwise obtains for its own account, or furnishes to or for the account of a foreign country without provision for reimbursement, any equipment, materials, or commodities, within or without the United States, or advances funds or credits, or guarantees the convertibility of foreign currencies in connection with the furnishing of the equipment, materials, or commodities, the appropriate agencies shall take steps necessary and practicable to ensure that at least 50 percent of the gross tonnage of the equip-

ment, materials, or commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) which may be transported on ocean vessels is transported on privately-owned commercial vessels of the United States, to the extent those vessels are available at fair and reasonable rates for commercial vessels of the United States, in a manner that will ensure a fair and reasonable participation of commercial vessels of the United States in those cargoes by geographic areas.

(c) WAIVERS.—The President, the Secretary of Defense, or Congress (by concurrent resolution or otherwise) may waive this section temporarily by—

- (1) declaring the existence of an emergency justifying a waiver; and
- (2) notifying the appropriate agencies of the waiver.

(d) PROGRAMS OF OTHER AGENCIES.—An agency having responsibility under this section shall administer its programs with respect to this section under regulations prescribed by the Secretary of Transportation. The Secretary shall review the administration of those programs and report annually to Congress on their administration.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1642.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55305(a)	46 App.:1241(b)(1) (2d, last provisos).	June 29, 1936, ch. 858, title IX, §901(b), as added Aug. 26, 1954, ch. 936, 68 Stat. 832; Pub. L. 87–266, Sept. 21, 1961, 75 Stat. 565; Pub. L. 91–469, §27, Oct. 21, 1970, 84 Stat. 1034; Pub. L. 97–31, §12(126), Aug. 6, 1981, 95 Stat. 165.
55305(b)	46 App.:1241(b)(1) (words before 1st proviso).	
55305(c)	46 App.:1241(b)(1) (1st proviso).	
55305(d)	46 App.:1241(b)(2).	

In this section, the words “commercial vessels of the United States” are substituted for “United States-flag commercial vessels” for consistency in the revised title.

In subsection (a), the words “the provisions of this subsection shall not apply to cargoes carried in the vessels of the Panama Canal Company” are omitted as obsolete. The words “Nothing herein shall repeal or otherwise modify the provisions of section 1241–1 of this Appendix” are omitted as unnecessary. The last proviso in 46 App. U.S.C. 1241(b)(1) is omitted as obsolete.

SUBCHAPTER II—EXPORT TRANSPORTATION OF AGRICULTURAL COMMODITIES

§ 55311. Findings and purposes

(a) FINDINGS.—Congress finds that—

(1) a productive and healthy agricultural industry and a strong and active United States maritime industry are vitally important to the economic well-being and security of the United States;

(2) both industries must compete in international markets increasingly dominated by foreign trade barriers and the subsidization practices of foreign governments; and

(3) increased agricultural exports and the use of merchant vessels of the United States

contribute positively to the United States balance of trade and generate employment opportunities in the United States.

(b) **PURPOSES.**—The purposes of this subchapter are to—

(1) enable the Secretary of Agriculture to plan export programs effectively, by clarifying the ocean transportation requirements applicable to those programs;

(2) take immediate and positive steps to promote the growth of the cargo-carrying capacity of the United States merchant marine;

(3) expand international trade in United States agricultural commodities and products and develop, maintain, and expand markets for United States agricultural exports;

(4) improve the efficiency of administration of both the commodity purchasing and selling activities and the ocean transportation activities associated with export programs sponsored by the Secretary;

(5) stimulate and promote the agricultural and maritime industries of the United States and encourage cooperative efforts by both industries to address their common problems; and

(6) provide for the appropriate disposition of these findings and purposes.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1643.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55311	46 App.:1241d.	Pub. L. 99–198, title XI, §1141, Dec. 23, 1985, 99 Stat. 1490.

In subsection (a)(1), the word “security” is substituted for “national security objectives” to eliminate unnecessary words.

In subsection (b), the words “Secretary of Agriculture” in paragraph (1) and “Secretary” in paragraph (4) are substituted for “Department of Agriculture” because all functions of the Department are vested in the Secretary under 7 U.S.C. 2202 and 6911 and Reorganization Plan No. 2 of 1953 (5 App. U.S.C.).

§ 55312. Determining prevailing world market price

(a) **AGRICULTURAL COMMODITIES AND PRODUCTS.**—The prevailing world market price for agricultural commodities or their products shall be determined under this subchapter under procedures prescribed by the Secretary of Agriculture. The Secretary shall prescribe the procedures by regulation, with notice and opportunity for public comment under section 553 of title 5.

(b) **SERVICES AND NON-AGRICULTURAL COMMODITIES AND PRODUCTS.**—If a determination of the prevailing world market price of any other type of materials, goods, equipment, or service is required to determine whether a barter or exchange transaction is subject to section 55314(b)(6) or (7) of this title, the determination shall be made by the Secretary of Agriculture in consultation with the heads of other appropriate agencies.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1644.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55312	46 App.:1241f(e).	June 29, 1936, ch. 858, title IX, §901b(e), as added Pub. L. 99–198, title XI, §1142, Dec. 23, 1985, 99 Stat. 1492.

§ 55313. Exemption of certain agricultural exports from cargo preference provisions

Sections 55304 and 55305 of this title do not apply to export activities of the Secretary of Agriculture or the Commodity Credit Corporation under which—

(1) agricultural commodities or their products acquired by the Corporation are made available to United States exporters, users, processors, or foreign purchasers for the purpose of developing, maintaining, or expanding export markets for United States agricultural commodities or their products at prevailing world market prices;

(2) payments are made available to United States exporters, users, or processors or, except as provided in section 55314 of this title, cash grants are made available to foreign purchasers, for the purpose described in paragraph (1);

(3) commercial credit guarantees are blended with direct credits from the Corporation to reduce the effective rate of interest on export sales of United States agricultural commodities or their products;

(4) credit or credit guarantees for not more than 3 years are extended by the Corporation to finance or guarantee export sales of United States agricultural commodities or their products; or

(5) agricultural commodities or their products owned or controlled by or under loan from the Corporation are exchanged or bartered for materials, goods, equipment, or services at least equal in value to the agricultural commodities or their products for which they are exchanged or bartered (determined on the basis of prevailing world market prices at the time of the exchange or barter), but this paragraph does not exempt from the cargo preference provisions referred to in section 55314(b) of this title any requirement otherwise applicable to the materials, goods, equipment, or services imported under the transaction.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1644.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55313	46 App.:1241e.	June 29, 1936, ch. 858, title IX, §901a, as added Pub. L. 99–198, title XI, §1142, Dec. 23, 1985, 99 Stat. 1490.

§ 55314. Transportation requirements for certain exports sponsored by the Secretary of Agriculture

(a) **MINIMUM TONNAGE.**—

(1) **IN GENERAL.**—In addition to the requirement under section 55305 of this title for the transportation of a percentage of gross ton-

nage on commercial vessels of the United States, 25 percent of the gross tonnage of agricultural commodities or their products specified in subsection (b) shall be transported each calendar year on commercial vessels of the United States that—

(A) are necessary for national security; and

(B) if more than 25 years old, were rebuilt within the last 5 years and certified by the Secretary of Transportation as having a useful life of at least 5 years after that rebuilding.

(2) **CALENDAR YEAR.**—To provide for effective and equitable administration of the cargo preference laws, the calendar year for the purpose of compliance with minimum percentage requirements is the 12-month period beginning October 1 of each year.

(b) **APPLICABLE EXPORT ACTIVITY.**—This section applies to export activity (except inspection or weighing activities, other activities carried out for health or safety, or technical assistance provided in the handling of commercial transactions) of the Secretary of Agriculture or the Commodity Credit Corporation—

(1) carried out under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.);

(2) carried out under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

(3) carried out under the Bill Emerson Humanitarian Trust Act (7 U.S.C. 1736f-1);

(4) under which agricultural commodities or their products are—

(A) donated through foreign governments or private or public agencies, including intergovernmental organizations; or

(B) sold for foreign currencies or for dollars on credit terms of more than 10 years;

(5) under which agricultural commodities or their products are made available for emergency food relief at less than prevailing world market prices;

(6) under which a cash grant is made directly or through an intermediary to a foreign purchaser to enable the purchaser to obtain United States agricultural commodities or their products in an amount greater than the difference between the prevailing world market price and the United States market price, free along side vessel at a United States port; or

(7) under which agricultural commodities owned or controlled by or under loan from the Corporation are exchanged or bartered for materials, goods, equipment, or services produced in foreign countries, except export activities described in section 55313(5) of this title.

(c) **ADDITIONAL REQUIREMENTS.**—

(1) **APPLICATION OF SECTION 55305.**—The requirement for transportation on vessels of the United States under subsection (a) is subject to the same terms and conditions as provided in section 55305 of this title.

(2) **ALLOCATION OF COMMODITIES.**—Subject to paragraph (3), in carrying out this section and section 55305 of this title, the Corporation shall take steps necessary and practicable, and

consistent with this section and section 55305, without detriment to any port range to allocate, on the principle of lowest landed cost without regard to the country of registry of the vessel, 25 percent of the bagged, processed, or fortified commodities provided under title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.).

(3) **CALCULATIONS.**—In carrying out paragraph (2), first there shall be calculated the allocation of 100 percent of the quantity to be procured on an overall lowest landed cost basis without regard to the country of registry of the vessel, and then there shall be allocated to the Great Lakes port range any cargoes for which it has the lowest landed cost under that calculation. The requirements for transportation on vessels of the United States under this section and section 55305 of this title do not apply to commodities allocated to the Great Lakes port range under paragraph (2). Commodities allocated to the Great Lakes port range under paragraph (2) may not be re-allocated or diverted to another port range to meet those requirements to the extent that the total tonnage of commodities to which paragraph (2) applies that is furnished and transported from the Great Lakes port range is less than 25 percent of the total annual tonnage of the commodities furnished.

(4) **AWARDING CONTRACTS.**—In awarding a contract for the transportation by vessel of commodities from the Great Lakes port range pursuant to an export activity referred to in subsection (b), an agency—

(A) shall consider expressions of freight interest for any vessel from a vessel operator who meets reasonable requirements for financial and operational integrity; and

(B) may not deny award of the contract to a person based on the type of vessel on which the transportation would be provided (including on the basis that the transportation would not be provided on a liner vessel, as that term is used in the Shipping Act of 1984, as in effect on November 14, 1995), if the person otherwise satisfies reasonable requirements for financial and operational integrity.

(5) **NONAVAILABILITY OF VESSELS.**—A determination of nonavailability of vessels of the United States resulting from the application of this subsection may not reduce the gross tonnage of commodities required by this section and section 55305 of this title to be transported on vessels of the United States.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1645.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
55314(a)(1) ..	46 App.:1241f(a).	June 29, 1936, ch. 858, title IX, § 901b(a)-(d), as added Pub. L. 99-198, title XI, § 1142, Dec. 23, 1985, 99 Stat. 1491; Pub. L. 101-624, title XV, § 1525, Nov. 28, 1990, 104 Stat. 3667; Pub. L. 104-239, § 17, Oct. 8, 1996, 110 Stat. 3138; Pub. L. 108-136, title XXXV, § 3514, Nov. 24, 2003, 117 Stat. 1792.

HISTORICAL AND REVISION NOTES—CONTINUED

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
	46 App.:1241o.	June 29, 1936, ch. 858, title IX, §901k, as added Pub. L. 99-198, title XI, §1142, Dec. 23, 1985, 99 Stat. 1496.
55314(a)(2) ..	46 App.:1241f(c)(2).	
55314(b)	46 App.:1241f(b), (d).	
55314(c)	46 App.:1241f(c)(1), (3), (4).	

In this section, the words “commercial vessels of the United States” are substituted for “United States-flag commercial vessels” for consistency in the revised title.

In subsection (a)(1), before subparagraph (A), the text of 46 App. U.S.C. 1241f(a)(2)(A) and (B) is omitted as obsolete. Subparagraphs (A) and (B) are substituted for 46 App. U.S.C. 1241o to improve the organization and to eliminate unnecessary words.

In subsection (a)(2), the words “the 12-month period beginning October 1 of each year” are substituted for “12 month periods commencing April 1, 1986, the 18-month period beginning April 1, 2002, and the 12-month period beginning October 1, 2003, and each year thereafter” to eliminate obsolete and unnecessary language.

In subsection (c)(4), before subparagraph (A), the words “or instrumentality” are omitted as unnecessary because of the definition of “agency” in chapter 1.

REFERENCES IN TEXT

The Agricultural Trade Development and Assistance Act of 1954, referred to in subsecs. (b)(1) and (c)(2), is act July 10, 1954, ch. 469, 68 Stat. 454, which is classified generally to chapter 41 (§1691 et seq.) of Title 7, Agriculture. Title II of the Act is classified generally to subchapter III (§1721 et seq.) of chapter 41 of Title 7. For complete classification of this Act to the Code, see Short Title note set out under section 1691 of Title 7 and Tables.

The Shipping Act of 1984, referred to in subsec. (c)(4)(B), is Pub. L. 98-237, Mar. 20, 1984, 98 Stat. 67, which was classified principally to chapter 36 (§1701 et seq.) of the former Appendix to this title. The Act was primarily repealed and restated in part A of subtitle IV of this title by Pub. L. 109-304, §§7, 19, Oct. 6, 2006, 120 Stat. 1523, 1710. For complete classification of Pub. L. 98-237 to the Code, see Tables. For disposition of sections of the former Appendix to this title, see Disposition Table preceding section 101 of this title.

§ 55315. Minimum tonnage

(a) DEFINITION.—In this section, the term “base period” means the 5-year period running from the sixth through the second prior fiscal years.

(b) REQUIREMENT.—For each fiscal year, the minimum quantity of agricultural commodities to be exported under programs subject to section 55314 of this title is the average of the tonnage exported under those programs during the base period, discarding the high and low years.

(c) WAIVERS.—The President may waive the minimum quantity for a fiscal year under this section if the President determines and reports to Congress, together with reasons, that the quantity cannot be used effectively for the purposes of those programs or, based on a certification by the Secretary of Agriculture, that the commodities are not available for reasons that include the unavailability of funds.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1646.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55315	46 App.:1241g.	June 29, 1936, ch. 858, title IX, §901c, as added Pub. L. 99-198, title XI, §1142, Dec. 23, 1985, 99 Stat. 1493.

In subsection (b), the words “For fiscal year 1986 and” are omitted as obsolete.

§ 55316. Financing the transportation of agricultural commodities

(a) FINANCING OF INCREASED CHARGES.—The Secretary of Transportation shall finance any increased ocean freight charges incurred in any fiscal year that result from the application of section 55314 of this title.

(b) REIMBURSEMENT OF INCREASED CHARGES.—

(1) IN GENERAL.—The Secretary of Transportation shall reimburse the Secretary of Agriculture and the Commodity Credit Corporation for the amount by which, in any fiscal year—

(A) the total cost of ocean freight and ocean freight differential for which obligations are incurred by the Secretary of Agriculture and the Corporation on exports of agricultural commodities and their products under the agricultural export programs specified in section 55314(b) of this title; exceeds

(B) 20 percent of the value of the commodities and their products and the cost of the ocean freight and ocean freight differential on which obligations are incurred by the Secretary of Agriculture and the Corporation during that fiscal year.

(2) COMMODITIES SHIPPED FROM INVENTORY.—For purposes of this subsection, commodities shipped from the inventory of the Corporation shall be valued as provided in section 412(d) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1736f(d)).

(c) ISSUANCE AND PURCHASE OF OBLIGATIONS.—

(1) ISSUANCE.—To meet the expenses required to be assumed under subsections (a) and (b), the Secretary of Transportation shall issue obligations to the Secretary of the Treasury. The Secretary of Transportation, with the approval of the Secretary of the Treasury, shall prescribe the form, denomination, maturity, and other terms (except the interest rate) of the obligations. The Secretary of the Treasury shall set the interest rate for the obligations, considering the average market yield on outstanding marketable obligations of the United States Government of comparable maturities during the month before the obligations are issued.

(2) PURCHASE.—The Secretary of the Treasury shall purchase the obligations issued under this subsection. To purchase the obligations, the Secretary of the Treasury may use as a public debt transaction the proceeds from the sale of securities issued under chapter 31 of title 31. The purposes for which securities may be issued under that chapter are extended to include the purchase of obligations under this subsection. A redemption or purchase of the obligations by the Secretary of the Treasury is a public debt transaction of the Government.

(d) **SOURCE OF FUNDS FOR REIMBURSEMENT.**—Reimbursement of the Secretary of Transportation for costs incurred under this section shall be made with appropriated funds rather than through cancellation of notes.

(e) **APPROPRIATIONS.**—

(1) **AUTHORIZATION.**—Each fiscal year, there is authorized to be appropriated an amount sufficient to reimburse the Secretary of Transportation for the costs incurred under this section, including administrative expenses and the principal and interest due on obligations issued to the Secretary of the Treasury.

(2) **APPROPRIATION FOR ADMINISTRATIVE EXPENSES.**—Each fiscal year, such amounts as may be necessary are hereby appropriated to pay interest and to liquidate debt on obligations issued to the Secretary of the Treasury under this section.

(f) **NOTIFICATION TO CONGRESS OF INSUFFICIENCY.**—If the Secretary of Transportation is unable to obtain the funds necessary to finance the increased ocean freight charges resulting from the requirements of subsections (a) and (b) and section 55314(a) of this title, the Secretary shall notify Congress within 10 working days of the discovery of the insufficiency.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1647.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55316(a)	46 App.:1241h(a).	June 29, 1936, ch. 858, title IX, §901d, as added Pub. L. 99–198, title XI, §1142, Dec. 23, 1985, 99 Stat. 1493.
55316(b)	46 App.:1241h(b).	
55316(c)	46 App.:1241h(c).	
55316(d)	46 App.:1241h(d) (last sentence).	
55316(e)(1) ..	46 App.:1241h(d) (1st sentence).	
55316(e)(2) ..	46 App.:1241h note.	Pub. L. 100–202, 101(a) [title V (par. under heading “Ocean Freight Differential”)], Dec. 22, 1987, 101 Stat. 1329, 1329–27.
55316(f)	46 App.:1241h(e).	

In subsection (b)(2), the words “section 412(d) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1736f(d))” are substituted for “section 1733(b) of title 7” because the latter provision, as amended in 1990, no longer contains provisions on valuation of commodities shipped from the inventory of the Commodity Credit Corporation, and a provision substantially the same as former 7 U.S.C. 1733(b) is now at 7 U.S.C. 1736f(e).

In subsection (c)(1), the words “considering the current average market yield on outstanding marketable obligations of the United States Government of comparable maturities during the month before the obligations are issued” are substituted for “taking into consideration the average market yield on outstanding marketable obligations of the United States with remaining periods of maturity comparable to the average maturities of such obligations during the month preceding the issuance of such obligations of the Secretary of Transportation” to eliminate unnecessary words.

In subsection (c)(2), the words “after December 23, 1985” are omitted as obsolete.

In subsection (e)(1), the words “commencing with the fiscal year beginning October 1, 1986” are omitted as obsolete.

In subsection (f), the words “Notwithstanding the provisions of this section” are omitted as unnecessary.

§ 55317. Termination of subchapter

This subchapter terminates 90 days after the date on which a notification is made under section 55316(f) of this title, except for shipments of agricultural commodities and their products subject to contracts made before the end of that 90-day period, unless within that 90-day period the Secretary of Transportation proclaims that funds are available to finance increased freight charges resulting from the requirements of sections 55314(a) and 55316(a) and (b) of this title. On the termination of this subchapter under this section—

(1) this subchapter does not exempt export activities from, or subject export activities to, the cargo preference laws; and

(2) the 50-percent requirement in section 55305 of this title remains in effect.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1648.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55317	46 App.:1241j.	June 29, 1936, ch. 858, title IX, §901f, as added Pub. L. 99–198, title XI, §1142, Dec. 23, 1985, 99 Stat. 1494.

The words “except to the extent those activities are exempt under section 1707a(b) of title 7” are omitted because the provision referred to has been repealed.

§ 55318. Effect on other law

This subchapter does not affect chapter 5 of title 5.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1648.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55318	46 App.:1241p.	Pub. L. 99–198, title XI, §1143, Dec. 23, 1985, 99 Stat. 1496.

The words “section 1707a(b)(8) of title 7” are omitted because the provision referred to has been repealed.

SUBCHAPTER III—AMERICAN GREAT LAKES VESSELS

§ 55331. Definitions

In this subchapter:

(1) **AMERICAN GREAT LAKES VESSEL.**—The term “American Great Lakes vessel” means a vessel so designated under section 55332 of this title, but only during the period the designation is in effect.

(2) **GREAT LAKES.**—The term “Great Lakes” means Lake Superior, Lake Michigan, Lake Huron, Lake Erie, Lake Ontario, the Saint Lawrence River west of Saint Regis, New York, and their connecting and tributary waters.

(3) **GREAT LAKES SHIPPING SEASON.**—The term “Great Lakes shipping season” means the period each year during which the Saint Lawrence Seaway is open for navigation by vessels, as declared by the Saint Lawrence Seaway Development Corporation.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1648.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55331	46 App.:1241v.	Pub. L. 101-624, title XV, §1527, Nov. 28, 1990, 104 Stat. 3668.

In paragraph (1), the words “but only during the period the designation is in effect” are added for clarity.

In paragraph (3), the words “created by the Act of May 13, 1954 (33 U.S.C. 981 et seq.)” are omitted as unnecessary.

The definition of “Secretary” in 46 App. U.S.C. 1241v(4) is omitted as unnecessary because the full title of the Secretary of Transportation is used the first time the Secretary is referred to in each section.

§ 55332. Designating American Great Lakes vessels

(a) DESIGNATIONS.—The Secretary of Transportation shall designate a vessel as an American Great Lakes vessel if—

(1) an application for designation is submitted to the Secretary under regulations prescribed by the Secretary;

(2) the vessel is documented under the laws of the United States;

(3) the vessel, on the effective date of the designation, is—

(A) at least 1, but not more than 6, years old; or

(B) at least 1, but not more than 11, years old if the Secretary finds that suitable vessels are not available to provide the type of service for which the vessel will be used after the designation;

(4) the vessel has not previously been designated as an American Great Lakes vessel; and

(5) the owner makes an agreement as provided under subsection (b).

(b) AGREEMENTS.—A vessel may be designated as an American Great Lakes vessel only if the person that will be the owner of the vessel at the time of the designation makes an agreement with the Secretary providing that if the Secretary determines that the vessel is necessary to the defense of the United States, the United States Government will have an exclusive right, during the 120-day period following the date of a revocation of the designation under section 55335 of this title, to purchase the vessel for a price equal to the greater of—

(1) the approximate world market value of the vessel; or

(2) the cost of the vessel to the owner less a reasonable amount for depreciation.

(c) CERTAIN FOREIGN DOCUMENTATION AND SALE NOT PROHIBITED.—Notwithstanding any other law, if the Government does not exercise its right of purchase under an agreement under subsection (b), the owner of the vessel is not prohibited from—

(1) documenting the vessel under the laws of a foreign country; or

(2) selling the vessel to a person not a citizen of the United States.

(d) REGULATIONS.—The Secretary shall prescribe regulations establishing requirements for submitting applications under this section.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1649.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55332	46 App.:1241r.	Pub. L. 101-624, title XV, §1522, Nov. 28, 1990, 104 Stat. 3665.

In subsection (a), the words “for purposes of sections 1241q to 1241v of this Appendix” are omitted as unnecessary.

In subsection (c), before paragraph (1), the words “construction and purchase” before “agreement” are omitted because the source provision for subsection (b) does not say anything about construction.

In subsection (d), the words “Not later than 60 days after November 28, 1990” are omitted as obsolete.

§ 55333. Exemption from restriction on transporting certain cargo

The 3-year documentation requirement of section 55305(a) of this title does not apply to a vessel designated as an American Great Lakes vessel during the period of its designation.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1649.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55333	46 App.:1241q.	Pub. L. 101-624, title XV, §1521, Nov. 28, 1990, 104 Stat. 3665.

This section is substituted for the source provisions to eliminate unnecessary words.

§ 55334. Restrictions on operations

(a) PROHIBITIONS.—Except as provided in subsection (b), an American Great Lakes vessel may not be used to—

(1) engage in trade—

(A) from a port in the United States that is not located on the Great Lakes; or

(B) between ports in the United States;

(2) transport bulk cargo (as defined in section 40102 of this title) that is subject to section 55305 or 55314 of this title or section 2631 of title 10; or

(3) provide a service (except ocean freight service) as—

(A) a contract carrier; or

(B) a common carrier on a fixed advertised schedule offering frequent sailings at regular intervals in the foreign trade of the United States.

(b) OFF-SEASON EXCEPTION.—An American Great Lakes vessel may be used for not more than 90 days during any 12-month period to engage in trade prohibited by subsection (a)(1)(A), except during the Great Lakes shipping season.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1649.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55334	46 App.:1241s.	Pub. L. 101-624, title XV, §1523, Nov. 28, 1990, 104 Stat. 3666.

§ 55335. Revocations and terminations of designations

(a) REVOCATIONS.—After notice and an opportunity for a hearing, the Secretary of Transportation may revoke a designation of a vessel as an American Great Lakes vessel if the Secretary finds that—

- (1) the vessel does not meet a requirement for the designation;
- (2) the vessel has been operated in violation of this subchapter; or
- (3) the owner or operator of the vessel has violated an agreement made under section 55332(b) of this title.

(b) TERMINATIONS.—On petition and a showing of good cause by the owner of a vessel, the Secretary may terminate the designation of a vessel as an American Great Lakes vessel. The Secretary may impose conditions in a termination order to prevent significant adverse effects on other operators of vessels of the United States.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1650.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55335	46 App.:1241t(a), (c).	Pub. L. 101–624, title XV, §1524(a), (c), Nov. 28, 1990, 104 Stat. 3667.

In subsection (a)(3), the words “construction and purchase” before “agreement” are omitted because the source provision for section 55332(b) of the revised title does not say anything about construction.

In subsection (b), the words “vessels of the United States” are substituted for “United States-flag vessel” for consistency in the revised title.

§ 55336. Civil penalty

After notice and an opportunity for a hearing, the Secretary of Transportation may impose a civil penalty of not more than \$1,000,000 on the owner of an American Great Lakes vessel for any act for which the designation may be revoked under section 55335 of this title.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1650.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55336	46 App.:1241t(b).	Pub. L. 101–624, title XV, §1524(b), Nov. 28, 1990, 104 Stat. 3667.

CHAPTER 555—MISCELLANEOUS

Sec.

55501. Mobile trade fairs.

§ 55501. Mobile trade fairs

(a) IN GENERAL.—The Secretary of Commerce shall encourage and promote the development and use of mobile trade fairs designed to show and sell the products of United States business and agriculture at foreign ports and at other commercial centers throughout the world where the operators of the fairs use, insofar as practicable, vessels and aircraft of the United States in transporting their exhibits.

(b) TECHNICAL AND FINANCIAL ASSISTANCE.—When the Secretary determines that a mobile

trade fair provides an economical and effective means of promoting export sales, the Secretary may provide to the operator of the fair—

- (1) technical assistance and support; and
- (2) financial assistance to defray certain expenses incurred outside the United States, except the cost of transportation on foreign vessels and aircraft.

(c) USE OF FOREIGN CURRENCIES.—To carry out this section, the President may use, in addition to amounts appropriated to carry out trade promotion activities, foreign currencies owned by or owed to the United States Government.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1650.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
55501	46 App.:1122b.	June 29, 1936, ch. 858, title II, §212(B), as added Pub. L. 87–839, §1, Oct. 18, 1962, 76 Stat. 1074; Pub. L. 89–66, July 7, 1965, 79 Stat. 211; Pub. L. 90–434, July 27, 1968, 82 Stat. 449; Pub. L. 100–418, title X, §10003(a), Aug. 23, 1988, 102 Stat. 1572.

CHAPTER 556—SHORT SEA TRANSPORTATION

Sec.

55601. Short sea transportation program.

55602. Cargo and shippers.

55603. Interagency coordination.

55604. Research on short sea transportation.

55605. Short sea transportation defined.

§ 55601. Short sea transportation program

(a) ESTABLISHMENT.—The Secretary of Transportation shall establish a short sea transportation program and designate short sea transportation projects to be conducted under the program to mitigate landside congestion.

(b) PROGRAM ELEMENTS.—The program shall encourage the use of short sea transportation through the development and expansion of—

- (1) documented vessels;
- (2) shipper utilization;
- (3) port and landside infrastructure; and
- (4) marine transportation strategies by State and local governments.

(c) SHORT SEA TRANSPORTATION ROUTES.—The Secretary shall designate short sea transportation routes as extensions of the surface transportation system to focus public and private efforts to use the waterways to relieve landside congestion along coastal corridors. The Secretary may collect and disseminate data for the designation and delineation of short sea transportation routes.

(d) PROJECT DESIGNATION.—The Secretary may designate a project to be a short sea transportation project if the Secretary determines that the project may—

- (1) offer a waterborne alternative to available landside transportation services using documented vessels; and
- (2) provide transportation services for passengers or freight (or both) that may reduce congestion on landside infrastructure using documented vessels.

(e) **ELEMENTS OF PROGRAM.**—For a short sea transportation project designated under this section, the Secretary may—

(1) promote the development of short sea transportation services;

(2) coordinate, with ports, State departments of transportation, localities, other public agencies, and the private sector and on the development of landside facilities and infrastructure to support short sea transportation services; and

(3) develop performance measures for the short sea transportation program.

(f) **MULTISTATE, STATE AND REGIONAL TRANSPORTATION PLANNING.**—The Secretary, in consultation with Federal entities and State and local governments, shall develop strategies to encourage the use of short sea transportation for transportation of passengers and cargo. The Secretary shall—

(1) assess the extent to which States and local governments include short sea transportation and other marine transportation solutions in their transportation planning;

(2) encourage State departments of transportation to develop strategies, where appropriate, to incorporate short sea transportation, ferries, and other marine transportation solutions for regional and interstate transport of freight and passengers in their transportation planning; and

(3) encourage groups of States and multi-State transportation entities to determine how short sea transportation can address congestion, bottlenecks, and other interstate transportation challenges.

(Added Pub. L. 110-140, title XI, § 1121(a), Dec. 19, 2007, 121 Stat. 1760.)

EFFECTIVE DATE

Chapter effective on the date that is 1 day after Dec. 19, 2007, see section 1601 of Pub. L. 110-140, set out as a note under section 1824 of Title 2, The Congress.

REGULATIONS

Pub. L. 110-140, title XI, § 1121(c), Dec. 19, 2007, 121 Stat. 1762, provided that:

“(1) **INTERIM REGULATIONS.**—Not later than 90 days after the date of enactment of this Act [Dec. 19, 2007], the Secretary of Transportation shall issue temporary regulations to implement the program under this section. Subchapter II of chapter 5 of title 5, United States Code, does not apply to a temporary regulation issued under this paragraph or to an amendment to such a temporary regulation.

“(2) **FINAL REGULATIONS.**—Not later than October 1, 2008, the Secretary of Transportation shall issue final regulations to implement the program under this section.”

§ 55602. Cargo and shippers

(a) **MEMORANDUMS OF AGREEMENT.**—The Secretary of Transportation shall enter into memorandums of understanding with the heads of other Federal entities to transport federally owned or generated cargo using a short sea transportation project designated under section 55601 when practical or available.

(b) **SHORT-TERM INCENTIVES.**—The Secretary shall consult shippers and other participants in transportation logistics and develop proposals for short-term incentives to encourage the use of short sea transportation.

(Added Pub. L. 110-140, title XI, § 1121(a), Dec. 19, 2007, 121 Stat. 1761.)

§ 55603. Interagency coordination

The Secretary of Transportation shall establish a board to identify and seek solutions to impediments hindering effective use of short sea transportation. The board shall include representatives of the Environmental Protection Agency and other Federal, State, and local governmental entities and private sector entities.

(Added Pub. L. 110-140, title XI, § 1121(a), Dec. 19, 2007, 121 Stat. 1761.)

§ 55604. Research on short sea transportation

The Secretary of Transportation, in consultation with the Administrator of the Environmental Protection Agency, may conduct research on short sea transportation, regarding—

(1) the environmental and transportation benefits to be derived from short sea transportation alternatives for other forms of transportation;

(2) technology, vessel design, and other improvements that would reduce emissions, increase fuel economy, and lower costs of short sea transportation and increase the efficiency of intermodal transfers; and

(3) solutions to impediments to short sea transportation projects designated under section 55601.

(Added Pub. L. 110-140, title XI, § 1121(a), Dec. 19, 2007, 121 Stat. 1761.)

§ 55605. Short sea transportation defined

In this chapter, the term “short sea transportation” means the carriage by vessel of cargo—

(1) that is—

(A) contained in intermodal cargo containers and loaded by crane on the vessel; or

(B) loaded on the vessel by means of wheeled technology; and

(2) that is—

(A) loaded at a port in the United States and unloaded either at another port in the United States or at a port in Canada located in the Great Lakes Saint Lawrence Seaway System; or

(B) loaded at a port in Canada located in the Great Lakes Saint Lawrence Seaway System and unloaded at a port in the United States.

(Added Pub. L. 110-140, title XI, § 1121(a), Dec. 19, 2007, 121 Stat. 1761.)

PART E—CONTROL OF MERCHANT MARINE CAPABILITIES

CHAPTER 561—RESTRICTIONS ON TRANSFERS

Sec.	
56101.	Approval required to transfer vessel to non-citizen.
56102.	Additional controls during war or national emergency.
56103.	Conditional approvals.
56104.	Penalty for false statements.
56105.	Forfeiture procedure.

§ 56101. Approval required to transfer vessel to noncitizen

(a) RESTRICTIONS.—

(1) IN GENERAL.—Except as otherwise provided in this section, section 12119 of this title, or section 611 of the Merchant Marine Act, 1936, a person may not, without the approval of the Secretary of Transportation—

(A) sell, lease, charter, deliver, or in any other manner transfer, or agree to sell, lease, charter, deliver, or in any other manner transfer, to a person not a citizen of the United States, an interest in or control of—

(i) a documented vessel owned by a citizen of the United States; or

(ii) a vessel last documented under the laws of the United States; or

(B) place under foreign registry, or operate under the authority of a foreign country, a documented vessel or a vessel last documented under the laws of the United States.

(2) EXCEPTIONS.—Paragraph (1)(A) does not apply to a vessel that has been operated only for pleasure or only as a fishing vessel, fish processing vessel, or fish tender vessel (as defined in section 2101 of this title).

(b) APPROVAL BEFORE DOCUMENTATION.—To promote financing with respect to a vessel to be documented under chapter 121 of this title, the Secretary may grant approval under subsection (a) before the vessel is documented.

(c) EXCEPTIONS.—Notwithstanding any other provision of this subtitle, the Merchant Marine Act, 1936, or any contract with the Secretary made under this subtitle or that Act, a person may place a vessel under foreign registry without the approval of the Secretary if—

(1)(A) the Secretary, in conjunction with the Secretary of Defense, determines that at least one replacement vessel of equal or greater military capability and of a capacity that is equivalent or greater, as measured by deadweight tons, gross tons, or container equivalent units, as appropriate, is documented under chapter 121 of this title by the owner of the vessel placed under foreign registry; and

(B) the replacement vessel is not more than 10 years old on the date of that documentation; or

(2) an operating agreement covering the vessel under chapter 531 of this title has expired.

(d) STATUS OF PROHIBITED TRANSACTION.—A charter, sale, or transfer of a vessel, or of an interest in or control of a vessel, in violation of this section is void.

(e) PENALTIES.—

(1) CRIMINAL PENALTY.—A person that knowingly sells, charters, or transfers a vessel, or an interest in or control of a vessel, in violation of this section shall be fined under title 18, imprisoned for not more than 5 years, or both.

(2) CIVIL PENALTY.—A person that sells, charters, or transfers a vessel, or an interest in or control of a vessel, in violation of this section is liable to the United States Government for a civil penalty of not more than \$10,000 for each violation.

(3) FORFEITURE.—A documented vessel may be seized by and forfeited to the Government if, in violation of this section, a person—

(A) knowingly sells, charters, or transfers the vessel or an interest in or control of the vessel; or

(B) places the vessel under foreign registry or operates the vessel under the authority of a foreign country.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1651.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
56101(a)	46 App.:808(c).	Sept. 7, 1916, ch. 451, § 9(c), (d), 39 Stat. 730; July 15, 1918, ch. 152, § 3, 40 Stat. 900; June 5, 1920, ch. 250, § 18, 41 Stat. 994; Exec. Order No. 6166, § 12, eff. June 10, 1933; June 29, 1936, ch. 858, title II, § 204, title IX, § 904, 49 Stat. 1987, 2016; June 23, 1938, ch. 600, § 42, 52 Stat. 964; Pub. L. 89-346, § 1, Nov. 8, 1965, 79 Stat. 1305; Pub. L. 97-31, § 12(26), Aug. 6, 1981, 95 Stat. 155; Pub. L. 100-710, title I, § 104(b)(3), Nov. 23, 1988, 102 Stat. 4750; Pub. L. 101-225, title III, § 304(a), Dec. 12, 1989, 103 Stat. 1924; Pub. L. 104-324, title XI, [§]1113(c), (e), Oct. 19, 1996, 110 Stat. 3970, 3971; Pub. L. 107-295, title II, § 205(d), Nov. 25, 2002, 116 Stat. 2096.
	46 App.:808a.	Pub. L. 98-454, title III, § 302, Oct. 5, 1984, 98 Stat. 1734.
56101(b)	46 App.:808(f)	Sept. 7, 1916, ch. 451, § 9(f), as added Pub. L. 104-324, title XI, § 1136(b), Oct. 19, 1996, 110 Stat. 3987; Pub. L. 108-136, title XXXV, § 3532(a)(1), Nov. 24, 2003, 117 Stat. 1817.
56101(c)	46 App.:808(e)	Sept. 7, 1916, ch. 451, § 9(e), as added Pub. L. 104-239, § 6, Oct. 8, 1996, 110 Stat. 3132; Pub. L. 108-136, title XXXV, § 3532(a)(2), Nov. 24, 2003, 117 Stat. 1817.
56101(d)	46 App.:808(d)(1).	
56101(e)	46 App.:808(d)(2)-(4).	

In subsection (a), the text of 46 App. U.S.C. 808a is omitted as unnecessary. In paragraph (1), the words “owned by a citizen of the United States” are omitted as unnecessary because ownership by a citizen is a requirement for documentation. See section 12103 as revised by the bill.

In subsection (c), before paragraph (1), the words “Notwithstanding any other provision of this subtitle, the Merchant Marine Act, 1936, or any contract with the Secretary made under this subtitle or that Act” are substituted for “Notwithstanding subsection (c)(2) of this section, the Merchant Marine Act, 1936 [46 App. U.S.C. 1101 et seq.], or any contract entered into with the Secretary of Transportation under that Act” because the Merchant Marine Act, 1936, is restated principally in this subtitle, but other provisions of that Act are being neither restated nor repealed.

REFERENCES IN TEXT

The Merchant Marine Act, 1936, referred to in subsections. (a)(1), (c), is act June 29, 1936, ch. 858, 49 Stat. 1985, which enacted provisions set out as notes under section 53101 of this title. For complete classification of this Act to the Code, see Short Title of 1936 Amendment note set out under section 101 of this title and Tables.

§ 56102. Additional controls during war or national emergency

(a) IN GENERAL.—During war, or a national emergency declared by Presidential proclama-

tion, a person may not, without the approval of the Secretary of Transportation—

(1) place under foreign registry a vessel owned in whole or in part by a citizen of the United States or a corporation incorporated under the laws of the United States or of a State;

(2) sell, mortgage, lease, charter, deliver, or in any other manner transfer, or agree to sell, mortgage, lease, charter, deliver, or in any other manner transfer, to a person not a citizen of the United States—

(A) a vessel owned as described in paragraph (1), or an interest therein;

(B) a vessel documented under the laws of the United States, or an interest therein; or

(C) a facility for building or repairing vessels, or an interest therein;

(3) issue, assign, or transfer to a person not a citizen of the United States an instrument of indebtedness secured by a mortgage of a vessel to a trustee, by an assignment of an owner's interest in a vessel under construction to a trustee, or by a mortgage of a facility for building or repairing vessels to a trustee, unless the trustee or a substitute trustee is approved by the Secretary under subsection (b);

(4) enter into an agreement or understanding to construct a vessel in the United States for, or to be delivered to, a person not a citizen of the United States without expressly stipulating that construction will not begin until after the war or national emergency has ended;

(5) enter into an agreement or understanding whereby there is vested in, or for the benefit of, a person not a citizen of the United States the controlling interest in a corporation that is incorporated under the laws of the United States or a State and that owns a vessel or facility for building or repairing vessels; or

(6) cause or procure a vessel, constructed in whole or in part in the United States and never cleared for a foreign port, to depart from a port of the United States before it has been documented under the laws of the United States.

(b) TRUSTEES.—

(1) APPROVAL.—The Secretary shall approve a trustee or substitute trustee under subsection (a)(3) if and only if the trustee is a bank or trust company that—

(A) is organized as a corporation, and is doing business, under the laws of the United States or a State;

(B) is authorized under those laws to exercise corporate trust powers;

(C) is a citizen of the United States;

(D) is subject to supervision or examination by Federal or State authority; and

(E) has a combined capital and surplus (as set forth in its most recent published report of condition) of at least \$3,000,000.

(2) DISAPPROVAL.—If a trustee or substitute trustee ceases to meet the conditions in paragraph (1), the Secretary shall disapprove the trustee or substitute trustee. After the disapproval, the restrictions on transfer or assignment without the Secretary's approval in subsection (a)(3) apply.

(3) OPERATION OF VESSEL.—During a period when subsection (a) applies, a trustee referred

to in subsection (a)(3), even though approved as a trustee by the Secretary, may not operate the vessel under the mortgage or assignment without the Secretary's approval.

(c) STATUS OF PROHIBITED TRANSACTION.—A transaction in violation of this section is void.

(d) RECOVERY OF CONSIDERATION.—

(1) IN GENERAL.—A person that deposited or paid consideration in connection with a transaction prohibited by this section may recover the consideration after tender of the vessel, facility, stock, or other security, or interest therein, to the person entitled to it, or the forfeiture thereof to the United States Government.

(2) EXCEPTION.—Paragraph (1) does not apply if the person in whose interest the consideration was deposited, or to whom it was paid, entered into the transaction in the belief that the person depositing or paying the consideration was a citizen of the United States.

(e) PENALTIES.—

(1) CRIMINAL PENALTY.—A person that violates, or attempts or conspires to violate, this section shall be fined under title 18, imprisoned for not more than 5 years, or both.

(2) FORFEITURE.—The following shall be forfeited to the Government:

(A) A vessel, a facility for building or repairing vessels, or an interest in a vessel or such a facility, that is sold, mortgaged, leased, chartered, delivered, transferred, or documented, or agreed to be sold, mortgaged, leased, chartered, delivered, transferred, or documented, in violation of this section.

(B) Stock and other securities sold or transferred, or agreed to be sold or transferred, in violation of this section.

(C) A vessel departing in violation of subsection (a)(6).

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1652.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
56102(a)	46 App.:835(a)-(c) (less provisos), (d)-(f).	Sept. 7, 1916, ch. 451, § 37, as added July 15, 1918, ch. 152, § 4, 40 Stat. 901; Exec. Order No. 6166, § 12, eff. June 10, 1933; June 29, 1936, ch. 858, title II, § 204, title IX, § 904, 49 Stat. 1987, 2016; Pub. L. 89-346, § 2, Nov. 8, 1965, 79 Stat. 1306; Pub. L. 97-31, § 12(30), Aug. 6, 1981, 95 Stat. 156.
56102(b)	46 App.:835(c) (provisos).	
56102(c)	46 App.:835 (2d par. after cl. (f), last par. words before 9th comma).	
56102(d)	46 App.:835 (last par. words after 9th comma).	
56102(e)	46 App.:835 (1st, 3d pars. after cl. (f)).	

In this section, the words “facility for building or repairing vessels” are substituted for “shipyard, dry dock, shipbuilding or ship-repairing plant or facility” (or similar language) to eliminate unnecessary words.

In subsection (a)(1), the words “transfer to” and “or flag” are omitted as surplus. The words “Territory, District, or possession thereof” are omitted as unnecessary because of the definition of “State” in chapter 1 of the revised title.

In subsection (a)(3), the words “instrument of indebtedness” are substituted for “bond, note, or other evidence of indebtedness” to eliminate unnecessary words. The words “right, title, or” are omitted as unnecessary.

In subsection (a)(5), the words “or the majority of the voting power” are omitted as covered by “controlling interest”.

In subsection (b)(1), before subparagraph (A), the words “and only if” are added for clarity because the Secretary is required to disapprove a trustee that ceases to meet the specified conditions.

Subsections (c) and (d) are substituted for the source provisions to eliminate unnecessary words.

In subsection (e)(1), the words “guilty of a misdemeanor” are omitted, and the words “fined under title 18” are substituted for “punishable by a fine of not more than \$5000”, because of chapter 227 of title 18.

§ 56103. Conditional approvals

(a) IN GENERAL.—In approving an act or transaction under section 56101 or 56102 of this title, the Secretary of Transportation may do so absolutely or upon conditions the Secretary considers advisable. The Secretary shall state the conditions in the notice of approval.

(b) VIOLATIONS.—A violation of a condition of approval is subject to the same penalties as a violation resulting from an act done without the required approval. The violation occurs at the time the condition is violated.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1654.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56103	46 App.:839 (1st par.).	Sept. 7, 1916, ch. 451, §41 (1st par.), as added July 15, 1918, ch. 152, §4, 40 Stat. 902; Exec. Order No. 6166, June 10, 1933, §12; June 29, 1936, ch. 858, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(32), Aug. 6, 1981, 95 Stat. 156.

This section is substituted for the source provision to eliminate unnecessary words.

§ 56104. Penalty for false statements

A person that knowingly makes a false statement of a material fact to the Secretary of Transportation or another officer, employee, or agent of the Department of Transportation, to obtain the Secretary’s approval under section 56101 or 56102 of this title, shall be fined under title 18, imprisoned for not more than 5 years, or both.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1654.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56104	46 App.:839 (last par.).	Sept. 7, 1916, ch. 451, §41 (last par.), as added July 15, 1918, ch. 152, §4, 40 Stat. 903; Exec. Order No. 6166, June 10, 1933, §12; June 29, 1936, ch. 858, title II, §204, title IX, §904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(32), Aug. 6, 1981, 95 Stat. 156.

The words “guilty of a misdemeanor” are omitted, and the words “fined under title 18” are substituted for “subject to a fine of not more than \$5000”, because of chapter 227 of title 18.

§ 56105. Forfeiture procedure

(a) IN GENERAL.—A forfeiture under this chapter may be enforced in the same way as a forfeiture under the laws on the collection of duties. However, such a forfeiture may be remitted without seizure of the vessel.

(b) PRIOR CONVICTIONS.—In a proceeding under this chapter to enforce a forfeiture, a prior criminal conviction of a person for a violation of this chapter with respect to the subject matter of the forfeiture is prima facie evidence of the violation against the person convicted.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1654.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56105(a)	46 App.:836.	Sept. 7, 1916, ch. 451, §38, as added July 15, 1918, ch. 152, §4, 40 Stat. 902; Pub. L. 101–225, title III, §304(b), Dec. 12, 1989, 103 Stat. 1924.
56105(b)	46 App.:837.	Sept. 7, 1916, ch. 451, §39, as added July 15, 1918, ch. 152, §4, 40 Stat. 902.

CHAPTER 563—EMERGENCY ACQUISITION OF VESSELS

Sec.

56301.	General authority.
56302.	Charter terms.
56303.	Compensation.
56304.	Disputed compensation.
56305.	Vessel encumbrances.
56306.	Use and transfer of vessels.
56307.	Return of vessels.

§ 56301. General authority

During a national emergency declared by Presidential proclamation, or a period for which the President has proclaimed that the security of the national defense makes it advisable, the Secretary of Transportation may requisition or purchase, or requisition or charter the use of, a vessel owned by citizens of the United States, a documented vessel, or a vessel under construction in the United States.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1654.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56301	46 App.:1242(a) (1st, 2d sentences).	June 29, 1936, ch. 858, title IX, §902(a) (1st, 2d sentences), 49 Stat. 2015; Pub. L. 97–31, §12(131), Aug. 6, 1981, 95 Stat. 165; Pub. L. 100–710, title I, §104(c), Nov. 23, 1988, 102 Stat. 4750.

The words “or other watercraft” are omitted because of the definition of “vessel” in chapter 1 of the revised title. The words “The termination of any emergency so declared shall be announced by a further proclamation by the President” are omitted as superseded by the National Emergencies Act (50 U.S.C. 1601 et seq.).

§ 56302. Charter terms

(a) IN GENERAL.—If a vessel is requisitioned for use but not ownership under this chapter, the Secretary of Transportation, at the time of requisition or as soon thereafter as the situation al-

lows, shall offer the person entitled to possession of the vessel a charter containing—

(1) the terms the Secretary believes should govern the relationship between the United States Government and the person; and

(2) the rate of hire the Secretary considers just compensation for the use of the vessel and the services required under the charter.

(b) REFUSAL TO ACCEPT.—If the person does not accept the charter and rate of hire, the parties shall proceed as provided in section 56304 of this title.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1654.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56302	46 App.:1242(c) (1st sentence).	June 29, 1936, ch. 858, title IX, §902(c) (1st sentence); as added Aug. 7, 1939, ch. 555, §3, 53 Stat. 1255; Pub. L. 97–31, §12(131), Aug. 6, 1981, 95 Stat. 165.

In subsection (a), the words “requisitioned for use but not ownership under this chapter” are substituted for “taken and used under authority of this section, but the ownership thereof is not required by the United States” to eliminate unnecessary words. The word “requisition” is substituted for “taking”, and the word “vessel” is substituted for “such property”, for consistency.

Subsection (b) is added because the provisions about disputed compensation, for both charter use and other takings, are consolidated in section 56304 of the revised title to avoid repetition.

§ 56303. Compensation

(a) IN GENERAL.—As soon as practicable, the Secretary of Transportation shall determine and pay just compensation for a vessel requisitioned under this chapter.

(b) FACTORS NOT AFFECTING VALUE.—The value of a vessel may not be considered enhanced by the circumstances requiring its requisition. Consequential damages arising from the requisition may not be paid.

(c) EFFECT OF CONSTRUCTION-DIFFERENTIAL SUBSIDY.—

(1) IF PAID.—If a construction-differential subsidy has been paid for the vessel, the value of the vessel at the time of requisition shall be determined under section 802 of the Merchant Marine Act, 1936.

(2) IF NOT PAID.—If a construction-differential subsidy has not been paid for the vessel, the value of any national defense features previously paid for by the United States Government shall be excluded.

(d) LOSS OR DAMAGE DURING CHARTER.—If a vessel is lost or damaged by a risk assumed by the Government under the charter, but a valuation for the vessel or a means of compensation has not been agreed to, the Secretary shall pay just compensation for the loss or damage, to the extent the person is not reimbursed through insurance.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1655.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56303(a)	46 App.:1242(a) (3d sentence words before 2d comma), (d) (1st par. words before 2d comma).	June 29, 1936, ch. 858, title IX, §902(a) (3d, last sentences), (b), (d) (1st par. words before 2d comma), 49 Stat. 2015, 2016; Aug. 7, 1939, ch. 555, §3, 53 Stat. 1255; Aug. 3, 1956, ch. 929, §3, 70 Stat. 985; Pub. L. 97–31, §12(131), Aug. 6, 1981, 95 Stat. 165.
56303(b)	46 App.:1242(a) (3d sentence words after 2d comma, last sentence).	
56303(c)	46 App.:1242(b).	
56303(d)	46 App.:1242(c) (last sentence).	

REFERENCES IN TEXT

Section 802 of the Merchant Marine Act, 1936, referred to in subsec. (c)(1), is section 802 of act June 29, 1936, ch. 858, 49 Stat. 1985, which is set out as a note under section 53101 of this title.

§ 56304. Disputed compensation

If the person entitled to compensation disputes the amount of just compensation determined by the Secretary of Transportation under this chapter, the Secretary shall pay the person, as a tentative advance, 75 percent of the amount determined. The person may bring a civil action against the United States to recover just compensation. If the tentative advance paid under this section is greater than the amount of the court's judgment, the person shall refund the difference.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1655.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56304	46 App.:1242(c) (2d sentence), (d) (1st par. words after 2d comma).	June 29, 1936, ch. 858, title IX, §902(c) (2d sentence), (d) (1st par. words after 2d comma); as added Aug. 7, 1939, ch. 555, §3, 53 Stat. 1256; Aug. 3, 1956, ch. 929, §§2, 3, 70 Stat. 985; Pub. L. 97–31, §12(131), Aug. 6, 1981, 95 Stat. 165.

This section is substituted for the source provisions to eliminate unnecessary words.

§ 56305. Vessel encumbrances

(a) IN GENERAL.—The existence of an encumbrance on a vessel does not prevent the requisition of the vessel under this chapter.

(b) DEPOSIT IN TREASURY.—

(1) IN GENERAL.—If an encumbrance exists, the Secretary of Transportation may deposit part of the compensation or advance of compensation to be paid under this chapter (but not more than the total amount of all encumbrances) in a fund in the Treasury. The Secretary shall publish notice of the creation of the fund in the Federal Register.

(2) AVAILABILITY OF AMOUNTS DEPOSITED.—Amounts deposited in the fund shall be available to pay the compensation or any of the encumbrances (including encumbrances stipulated to in a court of the United States or a State) existing at the time the vessel was requisitioned.

(c) CIVIL ACTION.—

(1) **IN GENERAL.**—Within 6 months after publication of notice under subsection (b), the holder of an encumbrance may bring a civil action in admiralty, according to the principles of libels in rem, against the fund.

(2) **VENUE.**—The action must be brought in the district court of the United States—

(A) from whose custody the vessel was or may be requisitioned; or

(B) in whose district the vessel was located when it was requisitioned.

(3) **SERVICE OF PROCESS.**—Service of process shall be made on the appropriate United States Attorney, the Attorney General, and the Secretary, in the manner provided by the Federal Rules of Civil Procedure (28 App. U.S.C.). Notice of the action shall be given to all interested persons as ordered by the court.

(4) **AS BETWEEN PRIVATE PARTIES.**—The action shall proceed and be determined according to the principles of law and the rules of practice applicable in like cases between private parties.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1655.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56305	46 App.:1242(d) (last par.).	June 29, 1936, ch. 858, title IX, §902(d) (last par.), as added Mar. 24, 1943, ch. 26, §3(d), 57 Stat. 49; Pub. L. 97–31, §12(131), Aug. 6, 1981, 95 Stat. 165.

In this section, the words “encumbrance” and “encumbrances” are substituted for “any valid claim by way of mortgage or maritime claim or attachment lien” and “any valid claim by way of mortgage or maritime lien or attachment lien” to eliminate unnecessary words.

In subsection (b)(1), the words “The Secretary shall publish notice of the creation of the fund in the Federal Register” are added for clarity, based on language barring a civil action not brought within 6 months after publication of such a notice.

In subsection (c)(1), the words “Within 6 months after publication of notice under subsection (b)” are substituted for “prior to June 30, 1943, or within six months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later” for clarity and to eliminate obsolete language.

Subsection (c)(3) is substituted for “and such suit shall be commenced in the manner provided by section 742 of this Appendix and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the Secretary of Transportation and due notice shall under order of the court be given to all interested persons” because the relevant sentences in 46 App. U.S.C. 742 were struck by an amendment in 1996. See generally *Henderson v. United States*, 517 U.S. 654, 116 S. Ct. 1638 (1996).

In subsection (c)(4), the words “any decree in said suit shall be paid out of the first and all subsequent deposits of compensation” and “any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction” are omitted as surplus.

§ 56306. Use and transfer of vessels

(a) **IN GENERAL.**—The Secretary of Transportation may repair, recondition, reconstruct, operate, or charter for operation, a vessel acquired under this chapter.

(b) **TRANSFER TO OTHER AGENCIES.**—The Secretary may transfer the possession or control of a vessel acquired under this chapter to another department or agency of the United States Government on terms and conditions approved by the President. The department or agency shall promptly reimburse the Secretary for expenditures for just compensation, purchase price, charter hire, repairs, reconditioning, or reconstruction.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1656.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56306	46 App.:1242(e).	June 29, 1936, ch. 858, title IX, §902(e); as added Aug. 7, 1939, ch. 555, §3, 53 Stat. 1256; Pub. L. 97–31, §12(131), Aug. 6, 1981, 95 Stat. 165.

In this section, the word “vessel” is substituted for “property” for consistency in the chapter.

In subsection (b), the words “Such reimbursements shall be deposited in the construction fund established by section 1116 of this Appendix” are omitted as impliedly repealed by 46 App. U.S.C. 1119 as amended in 1967.

§ 56307. Return of vessels

When a vessel requisitioned for use but not ownership is returned to the owner, the Secretary of Transportation shall—

(1) return the vessel in a condition at least as good as when taken, less ordinary wear and tear; or

(2) pay the owner an amount sufficient to recondition the vessel to that condition, less ordinary wear and tear.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1656.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56307	46 App.:1242(a) (4th sentence).	June 29, 1936, ch. 858, title IX, §902(a) (4th sentence), 49 Stat. 2015; Pub. L. 97–31, §12(131), Aug. 6, 1981, 95 Stat. 165.

The words “requisitioned for use but not ownership” are substituted for “taken and used under authority of this section, but the ownership thereof is not required by the United States” to eliminate unnecessary words.

CHAPTER 565—ESSENTIAL VESSELS AFFECTED BY NEUTRALITY ACT

Sec.	
56501.	Definition.
56502.	Adjusting obligations and arranging maintenance.
56503.	Types of adjustments and arrangements.
56504.	Changes in adjustments and arrangements.

§ 56501. Definition

In this chapter, the term “essential vessel” means a vessel that is—

(1)(A) security for a mortgage indebtedness to the United States Government; or

(B) constructed under this subtitle or required by a contract under this subtitle to be operated on a certain essential foreign trade route; and

(2) necessary in the interests of commerce and national defense to be maintained in condition for prompt use.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1656.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56501	46 App.:1242a(a).	June 29, 1940, ch. 442, subd. (a), 54 Stat. 684.

§ 56502. Adjusting obligations and arranging maintenance

(a) GENERAL AUTHORITY.—On written application, the Secretary of Transportation may adjust obligations and arrange for maintenance of an essential vessel as provided in this chapter if the Secretary determines, after any investigation or proceeding the Secretary considers desirable, that—

(1) the operation of the vessel in the service, route, or line to which it is assigned under this subtitle, or in which it otherwise would be operated, is not—

(A) lawful under the Neutrality Act of 1939 (22 U.S.C. 441 et seq.) or a proclamation issued under that Act; or

(B) compatible with maintaining the availability of the vessel for national defense and commerce;

(2) it is not feasible under existing law to employ the vessel in any other service or operation in foreign or domestic trade (except temporary or emergency operation under section 56503(b)(5) of this title); and

(3) the applicant, because of the restrictions of the Neutrality Act of 1939 (22 U.S.C. 441 et seq.) or the withdrawal of vessels for national defense under paragraph (1), is not earning or will not earn a reasonable return on the capital necessarily employed in its business.

(b) EFFECTIVE PERIOD.—Adjustments and arrangements under subsection (a) shall continue in effect only as long as the circumstances described in subsection (a) continue to exist.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1657.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56502	46 App.:1242a(b), (e).	June 29, 1940, ch. 442, subd. (b), (e), 54 Stat. 684, 686; Pub. L. 97–31, §12(132), Aug. 6, 1981, 95 Stat. 165.

The text of 46 App. U.S.C. 1242a(b) (1st sentence) is omitted as surplus. The text of 46 App. U.S.C. 1242a(e) is omitted as obsolete.

REFERENCES IN TEXT

The Neutrality Act of 1939, referred to in subsec. (a)(1)(A), (3), is act Nov. 4, 1939, ch. 2, 54 Stat. 4, which is classified generally to subchapter II (§441 et seq.) of chapter 9 of Title 22, Foreign Relations and Intercourse. For complete classification of this Act to the Code, see Short Title note set out under section 441 of Title 22 and Tables.

§ 56503. Types of adjustments and arrangements

(a) SUSPENSION REQUIREMENTS.—An adjustment or arrangement under this chapter shall include suspension of—

(1) the requirement to operate the vessel in foreign trade under the applicable operating-differential or construction-differential subsidy contract or mortgage or other agreement; and

(2) the right to operating-differential subsidy for the vessel.

(b) DISCRETIONARY ADJUSTMENTS AND ARRANGEMENTS.—To the extent the Secretary of Transportation considers appropriate to carry out the purposes of this subtitle, an adjustment or arrangement under this chapter may include any of the following:

(1) Lay-up of the vessel by the owner or in the custody of the Secretary, with payment or reimbursement by the Secretary of necessary and proper expenses (including reasonable overhead and insurance) or a fixed periodic allowance instead of payment or reimbursement.

(2) Postponement, for not more than the total period of the lay-up, of the maturity date of each installment of the principal of obligations to the United States Government for the vessel (regardless of whether the maturity date is during a lay-up period), or rearrangement of those maturities.

(3) Postponement or cancellation of interest accruing on the obligations during a lay-up period.

(4) Extension, for not more than the total period of the lay-up, of the 20-year life limitation for the vessel and other limitations and provisions of this subtitle based on a 20-year life.

(5) Provision for temporary or emergency employment of the vessel (instead of lay-up) as may be practicable, with such arrangements for management of the vessel, payment of expenses, and application of the proceeds of the employment, as the Secretary may approve, with any period of operation being included as part of the lay-up period.

(6) Payment to the Secretary, on termination of the arrangements with the applicant, of the applicant's net profits (earned while the arrangements were in effect) in excess of 10 percent a year on the capital necessarily employed in the applicant's business, as reimbursement for obligations postponed or canceled and expenses incurred or paid by the Secretary under this section.

(c) LAID-UP VESSELS.—Under subsection (b)(6), capital of the applicant represented by a vessel of the applicant laid-up or operated under this section shall be included in capital necessarily employed in the applicant's business. The Secretary may require a vessel laid-up or operated under this section to be security for reimbursement.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1657.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56503	46 App.:1242a(c).	June 29, 1940, ch. 442, subdiv. (c), 54 Stat. 685; Pub. L. 97-31, §12(132), Aug. 6, 1981, 95 Stat. 165.

§ 56504. Changes in adjustments and arrangements

The Secretary of Transportation may change an adjustment or arrangement made under this chapter as the Secretary considers necessary to carry out this chapter.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1658.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
56504	46 App.:1242a(d).	June 29, 1940, ch. 442, subdiv. (d), 54 Stat. 686; Pub. L. 97-31, §12(132), Aug. 6, 1981, 95 Stat. 165.

PART F—GOVERNMENT-OWNED MERCHANT VESSELS

CHAPTER 571—GENERAL AUTHORITY

Sec.

57101. Placement of vessels in National Defense Reserve Fleet.
57102. Disposition of vessels not worth preserving.
57103. Sale of obsolete vessels in National Defense Reserve Fleet.
57104. Acquisition of vessels from sale of obsolete vessels.
57105. Acquisition of vessels for essential services, routes, or lines.
57106. Maintenance, improvement, and operation of vessels.
57107. Vessels for other agencies.
57108. Consideration of ballast and equipment in determining selling price.
57109. Operation of vessels purchased, chartered, or leased from Secretary of Transportation.

§ 57101. Placement of vessels in National Defense Reserve Fleet

(a) IN GENERAL.—Any vessel acquired by the Maritime Administration shall be placed in the National Defense Reserve Fleet maintained under section 11 of the Merchant Ship Sales Act of 1946 (50 App. U.S.C. 1744).

(b) REMOVAL FROM FLEET.—A vessel placed in the Fleet under subsection (a) may not be traded out or sold from the Fleet, except as provided in section 57102, 57103, or 57104 or chapter 533, 537, 573, or 575 of this title.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1658.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57101	46 App.:1160(j).	June 29, 1936, ch. 858, title V, §510(j), as added Pub. L. 89-254, §2, Oct. 10, 1965, 79 Stat. 980; Pub. L. 97-31, §12(91), Aug. 6, 1981, 95 Stat. 161.

In subsection (a), the words “vessel acquired by the Maritime Administration” are substituted for “vessel heretofore or hereafter acquired under this section, or

otherwise acquired by the Maritime Administration of the Department of Transportation under any other authority” to eliminate unnecessary words.

In subsection (b), the words “except as provided in section 57102, 57103, or 57104 or chapter 533, 537, 573, or 575 of this title” are substituted for “except as provided for in subsections (g) and (i) of this section. This limitation shall not affect the rights of the Secretary of Transportation to dispose of a vessel as provided in other sections of this subchapter or in subchapters VII or XI of this chapter” because of the restatement.

§ 57102. Disposition of vessels not worth preserving

(a) IN GENERAL.—If the Secretary of Transportation determines that a vessel owned by the Maritime Administration is of insufficient value for commercial or military operation to warrant its further preservation, the Secretary may scrap the vessel or sell the vessel for cash.

(b) SELLING PROCEDURE.—The sale of a vessel under subsection (a) shall be made on the basis of competitive sealed bids, after an appraisal and due advertisement. The purchaser does not have to be a citizen of the United States. The purchaser shall provide a surety bond, with a surety approved by the Secretary, to ensure that the vessel will not be operated in the foreign trade of the United States at any time within 10 years after the sale, in competition with a vessel owned by a citizen of the United States and documented under the laws of the United States.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1658.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57102	46 App.:1158(a).	June 29, 1936, ch. 858, title V, §508(a), 49 Stat. 2000; Pub. L. 97-31, §12(89), Aug. 6, 1981, 95 Stat. 161; Pub. L. 108-136, title XXXV, §3512(1), Nov. 24, 2003, 117 Stat. 1789.

In subsection (a), the words “vessel owned by the Maritime Administration” are substituted for “vessel transferred to the Maritime Administration of the Department of Transportation by section 1112 of this Appendix, or hereafter acquired” to eliminate unnecessary words.

In subsection (b), the words “The sale of a vessel under section (a) shall be made on the basis of competitive sealed bids, after an appraisal and due advertisement. The purchaser does not have to be a citizen of the United States.” are substituted for “after appraisal and due advertisement, and upon competitive sealed bids, either to citizens of the United States or to aliens” for clarity. The words “provide a surety bond, with a surety approved by the Secretary, to ensure that” are substituted for “enter into an undertaking with sureties approved by the Secretary of Transportation that” for clarity.

§ 57103. Sale of obsolete vessels in National Defense Reserve Fleet

(a) IN GENERAL.—The Secretary of Transportation may convey the right, title, and interest of the United States Government in any vessel of the National Defense Reserve Fleet that has been identified by the Secretary as an obsolete vessel of insufficient value to warrant its further preservation, if the recipient—

- (1) is a non-profit organization, a State, or a municipal corporation or political subdivision of a State;

(2) agrees not to use, or allow others to use, the vessel for commercial transportation purposes;

(3) agrees to make the vessel available to the Government whenever the Secretary indicates that it is needed by the Government;

(4) agrees to hold the Government harmless for any claims arising from exposure to asbestos, polychlorinated biphenyls, lead paint, or other hazardous substances after conveyance of the vessel, except for claims arising from use of the vessel by the Government;

(5) has a conveyance plan and a business plan that describes the intended use of the vessel, each of which has been submitted to and approved by the Secretary;

(6) has provided proof, as determined by the Secretary, of resources sufficient to accomplish the transfer, necessary repairs and modifications, and initiation of the intended use of the vessel; and

(7) agrees that when the recipient no longer requires the vessel for use as described in the business plan required under paragraph (5)—

(A) the recipient will, at the discretion of the Secretary, reconvey the vessel to the Government in good condition except for ordinary wear and tear; or

(B) if the Board of Trustees of the recipient has decided to dissolve the recipient according to the laws of the State in which the recipient is incorporated, then—

(i) the recipient shall distribute the vessel, as an asset of the recipient, to a person that has been determined exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1986 (26 U.S.C. 501(c)(3)), or to the Federal Government or a State or local government for a public purpose; and

(ii) the vessel shall be disposed of by a court of competent jurisdiction of the county in which the principal office of the recipient is located, for such purposes as the court shall determine, or to such organizations as the court shall determine are organized exclusively for public purposes.

(b) **OTHER EQUIPMENT.**—At the Secretary's discretion, additional equipment from other obsolete vessels of the Fleet may be conveyed to assist the recipient with maintenance, repairs, or modifications.

(c) **ADDITIONAL TERMS.**—The Secretary may require any additional terms the Secretary considers appropriate.

(d) **DELIVERY OF VESSEL.**—If conveyance is made under this section, the vessel shall be delivered to the recipient at a time and place to be determined by the Secretary. The vessel shall be conveyed in an "as is" condition.

(e) **LIMITATIONS.**—If at any time prior to delivery of the vessel to the recipient, the Secretary determines that a different disposition of the vessel would better serve the interests of the Government, the Secretary shall pursue the more favorable disposition of the obsolete vessel and shall not be liable for any damages that may result from an intended recipient's reliance upon a proposed transfer.

(f) **REVERSION.**—The Secretary shall include in any conveyance under this section terms under

which all right, title, and interest conveyed by the Secretary shall revert to the Government if the Secretary determines the vessel has been used other than as described in the business plan required under subsection (a)(5).

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1659.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57103	46 App.:1158(b).	June 29, 1936, ch. 858, title V, § 508(b), as added Pub. L. 108-136, title XXXV, § 3512(2), Nov. 24, 2003, 117 Stat. 1789.

In subsection (a), before paragraph (1), the words "Notwithstanding section 1160(j) of this title" are omitted as unnecessary because section 46 App. U.S.C. 1160(j) is restated in section 57101 of the revised title and that section contains an exception which includes this section. In paragraph (1), the words "Commonwealth, or possession of the United States" and "or the District of Columbia" are omitted as unnecessary because of the definition of "State" in chapter 1 of the revised title.

§ 57104. Acquisition of vessels from sale of obsolete vessels

(a) **IN GENERAL.**—The Secretary of Transportation may acquire suitable documented vessels with amounts in the Vessel Operations Revolving Fund derived from the sale of obsolete vessels in the National Defense Reserve Fleet.

(b) **VALUATION.**—The acquired and obsolete vessels shall be valued at their scrap value in domestic or foreign markets as of the date of the acquisition for or sale from the Fleet. However, the value assigned to those vessels shall be determined on the same basis, with consideration given to the fair value of the cost of moving the vessel sold from the Fleet to the place of scrapping.

(c) **COSTS INCIDENT TO LAY-UP.**—Costs incident to the lay-up of the vessel acquired under this section may be paid from amounts in the Fund.

(d) **TRANSFERS TO NON-CITIZENS.**—A vessel sold from the Fleet under this section may be scrapped in an approved foreign market without obtaining additional separate approval from the Secretary to transfer the vessel to a person not a citizen of the United States.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1660.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57104	46 App.:1160(i).	June 29, 1936, ch. 858, title V, § 510(i), as added Pub. L. 86-575, July 5, 1960, 74 Stat. 312; Pub. L. 89-254, § 1, Oct. 10, 1965, 79 Stat. 980; Pub. L. 91-469, § 13, Oct. 21, 1970, 84 Stat. 1022; Pub. L. 93-605, § 1, Jan. 2, 1975, 88 Stat. 1965; Pub. L. 95-177, Nov. 15, 1977, 91 Stat. 1368; Pub. L. 97-31, § 12(91), Aug. 6, 1981, 95 Stat. 161; Pub. L. 101-595, title VII, § 704, Nov. 16, 1990, 104 Stat. 2994.

In subsection (b), the words "vessel sold from the Fleet" are substituted for "traded-out vessel" for clarity and consistency.

In subsection (d), the words "without obtaining additional separate approval from the Secretary to transfer

the vessel to a person not a citizen of the United States” are substituted for “Notwithstanding the provisions of sections 808 and 835 of this Appendix” for clarity and to avoid the cross references.

§ 57105. Acquisition of vessels for essential services, routes, or lines

(a) IN GENERAL.—The Secretary of Transportation may acquire a vessel, by purchase or otherwise, if—

(1) the Secretary considers the vessel necessary to establish, maintain, improve, or serve as a replacement on an essential service, route, or line in the foreign commerce of the United States, as determined under section 50103 of this title;

(2) the vessel was constructed in the United States; and

(3) the Secretary of the Navy has certified to the Secretary of Transportation that the vessel is suitable for economical and speedy conversion into a naval or military auxiliary or otherwise suitable for use by the United States Government in time of war or national emergency.

(b) PRICE.—The price paid for the vessel shall be based on a fair and reasonable valuation. However, the price may not exceed by more than 5 percent the cost of the vessel to the owner (excluding any construction-differential subsidy and the cost of national defense features paid by the Secretary of Transportation) plus the actual cost previously expended for reconditioning, less depreciation based on a 25-year life for a dry-cargo or passenger vessel and a 20-year life for a tanker or other liquid bulk carrier vessel.

(c) DOCUMENTATION.—A vessel acquired under this section that is not documented under the laws of the United States at the time of acquisition shall be so documented as soon as practicable.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1660.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57105	46 App.:1125.	June 29, 1936, ch. 858, title II, § 215, as added June 23, 1938, ch. 600, § 4, 52 Stat. 954; Pub. L. 86–518, § 1, June 12, 1960, 74 Stat. 216; Pub. L. 97–31, § 12(73), Aug. 6, 1981, 95 Stat. 160.
	46 App.:1125 note.	Pub. L. 86–518, § 9, June 12, 1960, 74 Stat. 217.

In subsection (a), the words “and to pay for the same out of his construction fund” are omitted as obsolete because the construction fund established under 46 App. U.S.C. 1116 was impliedly abolished by 46 App. U.S.C. 1119, as amended.

In subsection (b), the words “less depreciation based on a 25-year life for a dry-cargo or passenger vessel and a 20-year life for a tanker or other liquid bulk carrier vessel” are substituted for “less depreciation based upon a twenty-five year life expectancy of the vessel” because of section 9 of Public Law 86–518 (June 12, 1960, 74 Stat. 217), which provided that “Nothing in any amendment made by this Act [including section 1 substituting ‘twenty-five’ for ‘twenty’ in 46 App. U.S.C. 1125] shall operate or be interpreted to change from twenty to twenty-five years the provisions of the Merchant Marine Act, 1936, as amended, relating to the commercial expectancy or period of depreciation of any tanker or other liquid bulk carrier.”

§ 57106. Maintenance, improvement, and operation of vessels

(a) IN GENERAL.—The Secretary of Transportation may maintain, repair, recondition, remodel, and improve vessels owned by the United States Government and in the possession or under the control of the Secretary, to equip them adequately for competition in the foreign trade of the United States. The Secretary may operate such a vessel or charter the vessel on terms and conditions the Secretary considers appropriate to carry out the purposes of this subtitle.

(b) DOCUMENTATION AND RESTRICTIONS ON OPERATION.—A vessel reconditioned, remodeled, or improved under subsection (a) shall be documented under the laws of the United States and remain so documented for at least 5 years after completion of the reconditioning, remodeling, or improvement. During that period, it shall be operated on voyages that are not exclusively coastwise.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1661.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57106	46 App.:871.	June 5, 1920, ch. 250, § 12, 41 Stat. 993; June 6, 1924, ch. 273, § 2, 43 Stat. 468; Feb. 11, 1927, ch. 104, § 1 (last par. under heading “United States Shipping Board”), 44 Stat. 1083; Exec. Order No. 6166, § 12, eff. June 10, 1933; June 29, 1936, ch. 858, title II, § 204, title IX, § 904, 49 Stat. 1987, 2016; Pub. L. 97–31, § 12(43), Aug. 6, 1981, 95 Stat. 157.
	46 App.:891b.	May 22, 1928, ch. 675, title II, § 202, 45 Stat. 690; Exec. Order No. 6166, § 12, eff. June 10, 1933; June 29, 1936, ch. 858, title II, § 204, title IX, § 904, 49 Stat. 1987, 2016; Pub. L. 97–31, § 12(51), Aug. 6, 1981, 95 Stat. 157.

This section is substituted for the source provisions to eliminate obsolete and unnecessary provisions.

§ 57107. Vessels for other agencies

(a) IN GENERAL.—The Secretary of Transportation may construct, reconstruct, repair, equip, and outfit, by contract or otherwise, vessels or parts thereof, for any other department or agency of the United States Government to the extent the other department or agency is authorized by law to do so for its own account.

(b) EFFECT ON CONTRACT AUTHORIZATION.—An obligation incurred or expenditure made by the Secretary under this section does not affect any contract authorization of the Secretary, but instead shall be charged against the existing appropriation or contract authorization of the department or agency.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1661.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57107	46 App.:1125a.	Feb. 6, 1941, ch. 5, § 4, 55 Stat. 6; Pub. L. 97–31, § 12(74), Aug. 6, 1981, 95 Stat. 160.

In subsection (b), the words “heretofore or hereafter”, “diminish or otherwise”, and “and, to the amount of such obligation or expenditure, diminish” are omitted as unnecessary.

§ 57108. Consideration of ballast and equipment in determining selling price

The Maritime Administration may not sell a vessel until its ballast and equipment have been inventoried and their value considered in determining the selling price of the vessel.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1661.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57108	46 App.:864b.	June 29, 1949, ch. 281, § 1 (proviso), 63 Stat. 349; Pub. L. 97–31, § 12(36), Aug. 6, 1981, 95 Stat. 156.

§ 57109. Operation of vessels purchased, chartered, or leased from Secretary of Transportation

Unless otherwise authorized by the Secretary of Transportation, a vessel purchased, chartered, or leased from the Secretary may be operated only under a certificate of documentation with a registry or coastwise endorsement. Such a vessel, while employed solely as a merchant vessel, is subject to the laws, regulations, and liabilities governing merchant vessels, whether the United States Government has an interest in the vessel as an owner or holds a mortgage, lien, or other interest.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1661.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57109	46 App.:808(b).	Sept. 7, 1916, ch. 451, § 9(b), 39 Stat. 730; July 15, 1918, ch. 152, § 3, 40 Stat. 900; re-stated June 5, 1920, ch. 250, § 18, 41 Stat. 994; Ex. Ord. No. 6166, § 12, eff. June 10, 1933; June 29, 1936, ch. 858, title II, § 204, title IX, § 904, 49 Stat. 1987, 2016; Pub. L. 97–31, § 12(26), Aug. 6, 1981, 95 Stat. 155; Pub. L. 100–710, title I, § 104(b)(2), Nov. 23, 1988, 102 Stat. 4750.

The words “only under a certificate of documentation with a registry or coastwise endorsement” are substituted for “only under such registry or enrollment and license” for clarity and to use the appropriate current language.

CHAPTER 573—VESSEL TRADE-IN PROGRAM

Sec.	
57301.	Definitions.
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57303.	Utility value and tonnage requirements.
57304.	Eligible acquisition dates.
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57307.	Recognition of gain for tax purposes.
57308.	Use of vessels at least 25 years old.

§ 57301. Definitions

In this chapter:

(1) **NEW VESSEL.**—The term “new vessel” means a vessel—

(A) constructed under this subtitle and acquired within 2 years after the date of completion; or

(B) constructed in a domestic shipyard on private account and not under this subtitle, and documented under the laws of the United States.

(2) **OBSOLETE VESSEL.**—The term “obsolete vessel” means a vessel that—

(A) is of at least 1,350 gross tons;

(B) the Secretary of Transportation believes should, because of its age, obsolescence, or other reasons, be replaced in the public interest; and

(C) has been owned by a citizen of the United States for at least 3 years immediately before its acquisition under this chapter.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1662.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57301	46 App.:1160(a).	June 29, 1936, ch. 858, title V, § 510(a), as added Aug. 4, 1939, ch. 417, § 7, 53 Stat. 1183; July 17, 1952, ch. 939, § 7, 66 Stat. 762; Pub. L. 85–332, Feb. 20, 1958, 72 Stat. 17; Pub. L. 87–755, Oct. 5, 1962, 76 Stat. 751; Pub. L. 91–469, § 12(a), Oct. 21, 1970, 84 Stat. 1022; Pub. L. 97–31, § 12(91), Aug. 6, 1981, 95 Stat. 161.

In paragraph (1)(A), the words “or is purchased under section 1204 of this Appendix, as amended, by the person turning in an obsolete vessel under this section” are omitted because the purchase authority under 46 App. U.S.C. 1204 was impliedly repealed by section 14 of the Merchant Ship Sales Act of 1946 (50 App. U.S.C. 1735 note).

§ 57302. Authority to acquire vessels

To promote the construction of new, safe, and efficient vessels to carry the domestic and foreign waterborne commerce of the United States, the Secretary of Transportation may acquire an obsolete vessel in exchange for an allowance of credit toward the cost of construction or purchase of a new vessel as provided in this chapter.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1662.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57302	46 App.:1160(b) (1st, last sentences).	June 29, 1936, ch. 858, title V, § 510(b) (1st, last sentences), as added Aug. 4, 1939, ch. 417, § 7, 53 Stat. 1184; Pub. L. 87–401, subd. (1), Oct. 5, 1961, 75 Stat. 833; Pub. L. 91–469, § 35(a), Oct. 21, 1970, 84 Stat. 1035; Pub. L. 97–31, § 12(91), Aug. 6, 1981, 95 Stat. 161.

The words “toward the cost of construction or purchase of a new vessel” are added for clarity. The text of 46 App. U.S.C. 1160(b) (last sentence) is omitted as obsolete.

§ 57303. Utility value and tonnage requirements

(a) **UTILITY VALUE.**—The utility value of a new vessel to be acquired under this chapter for op-

eration in the domestic or foreign commerce of the United States may not be substantially less than that of the obsolete vessel acquired in exchange under this chapter.

(b) **TONNAGE.**—If the Secretary of Transportation finds that the new vessel will have a utility value at least equal to that of the obsolete vessel, the new vessel may be of lesser gross tonnage than the obsolete vessel. However, the gross tonnage of the new vessel must be at least one-third the gross tonnage of the obsolete vessel.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1662.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57303	46 App.:1160(c).	June 29, 1936, ch. 858, title V, § 510(c), as added Aug. 4, 1939, ch. 417, § 7, 53 Stat. 1184; Pub. L. 97–31, § 12(91), Aug. 6, 1981, 95 Stat. 161.

§ 57304. Eligible acquisition dates

At the option of the owner, the acquisition of an obsolete vessel under this chapter shall occur—

- (1) when the owner contracts for the construction or purchase of a new vessel; or
- (2) within 5 days of the actual date of delivery of the new vessel to the owner.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1662.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57304	46 App.:1160(b) (2d sentence).	June 29, 1936, ch. 858, title V, § 510(b) (2d sentence), as added Aug. 4, 1939, ch. 417, § 7, 53 Stat. 1184; Pub. L. 87–401, subd. (1), Oct. 5, 1961, 75 Stat. 833; Pub. L. 91–469, § 35(a), Oct. 21, 1970, 84 Stat. 1035; Pub. L. 97–31, § 12(91), Aug. 6, 1981, 95 Stat. 161.

The words “At the option of the owner” are substituted for “if the owner so requests” for clarity.

§ 57305. Determination of trade-in allowance

(a) **IN GENERAL.**—The Secretary of Transportation shall determine the trade-in allowance for an obsolete vessel at the time of acquisition of the vessel. The allowance shall be the fair value of the vessel. In determining the value, the Secretary shall consider—

- (1) the scrap value of the obsolete vessel in American and foreign markets;
- (2) the depreciated value based on a 20-year or 25-year life, whichever applies to the obsolete vessel; and
- (3) the market value of the obsolete vessel for operation in world commerce or in the domestic or foreign commerce of the United States.

(b) **USE OF OBSOLETE VESSELS.**—If acquisition of the obsolete vessel occurs when the owner contracts for the construction of the new vessel, and the owner uses the obsolete vessel during the period of construction of the new vessel, the Secretary shall reduce the trade-in allowance by an amount representing the fair value of that

use. The Secretary shall establish the rate for use of the obsolete vessel when the contract for construction of the new vessel is made.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1663.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57305(a)	46 App.:1160(b) (3d sentence), (d) (1st, 2d sentences).	June 29, 1936, ch. 858, title V, § 510(b) (3d sentence), (d), as added Aug. 4, 1939, ch. 417, § 7, 53 Stat. 1184; July 17, 1952, ch. 939, § 8, 66 Stat. 762; Pub. L. 86–518, § 1, June 12, 1960, 74 Stat. 216; Pub. L. 87–401, Oct. 5, 1961, 75 Stat. 833; Pub. L. 91–469, § 35(a), Oct. 21, 1970, 84 Stat. 1035; Pub. L. 97–31, § 12(91), Aug. 6, 1981, 95 Stat. 161.
57305(b)	46 App.:1160(d) (3d, last sentences).	

In subsection (a), the words “fair value” are substituted for “fair and reasonable value” to eliminate unnecessary words. In paragraph (3), the word “commerce” is substituted for “trade” for consistency in the chapter.

In subsection (b), the words “for the entire period of such use” are omitted as unnecessary.

§ 57306. Payment of trade-in allowance

(a) **ACQUISITION AT TIME OF CONTRACT.**—If acquisition of an obsolete vessel under this chapter occurs when the owner contracts for the construction or purchase of the new vessel, the Secretary of Transportation shall apply the trade-in allowance to the purchase price of the new vessel rather than paying it to the owner. If the new vessel is constructed under this subtitle, the Secretary may apply the trade-in allowance to the required cash payments on terms and conditions the Secretary may prescribe. If the new vessel is not constructed under this subtitle, the Secretary shall pay the trade-in allowance to the builder of the vessel for the account of the owner when the Secretary acquires the obsolete vessel.

(b) **ACQUISITION AT TIME OF DELIVERY.**—If acquisition of the obsolete vessel occurs when the new vessel is delivered to the owner, the Secretary shall deposit the trade-in allowance in the owner’s capital construction fund.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1663.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57306	46 App.:1160(b) (4th–7th sentences).	June 29, 1936, ch. 858, title V, § 510(b) (4th–7th sentences), as added Aug. 4, 1939, ch. 417, § 7, 53 Stat. 1184; Pub. L. 87–401, subd. (1), Oct. 5, 1961, 75 Stat. 833; Pub. L. 91–469, § 12(b), 35(a), Oct. 21, 1970, 84 Stat. 1022, 1035; Pub. L. 97–31, § 12(91), Aug. 6, 1981, 95 Stat. 161.

In subsection (b), the words “acquisition of the obsolete vessel occurs” are substituted for “title to the obsolete vessel is acquired” for consistency in the chapter.

§ 57307. Recognition of gain for tax purposes

The owner of an obsolete vessel does not recognize a gain under the Federal income tax laws

when the vessel is transferred to the Secretary of Transportation in exchange for a trade-in allowance under this chapter. The basis of the new vessel acquired with the allowance is the same as the basis of the obsolete vessel—

(1) increased by the difference between the cost of the new vessel and the trade-in allowance of the obsolete vessel; and

(2) decreased by the amount of loss recognized on the transfer.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1663.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57307	46 App.:1160(e).	June 29, 1936, ch. 858, title V, § 510(e), as added Aug. 4, 1939, ch. 417, § 7, 53 Stat. 1184; Pub. L. 97–31, § 12(91), Aug. 6, 1981, 95 Stat. 161.

The words “for gain or loss upon a sale or exchange and for depreciation under the applicable Federal income-tax laws” and “or vessels exchanged for credit upon the acquisition of such new vessel” are omitted as unnecessary. In paragraph (1), the words “the difference between the cost of the new vessel and the trade-in allowance of the obsolete vessel” are substituted for “the amount of the cost of such vessel (other than the cost represented by such obsolete vessel or vessels)” for clarity.

§ 57308. Use of vessels at least 25 years old

An obsolete vessel acquired under this chapter that is or becomes at least 25 years old may not be used for commercial operation. However, the vessel may be used—

(1) during a period in which vessels may be requisitioned under chapter 563 of this title; or

(2) except as otherwise provided in this subtitle, on trade routes serving only the foreign trade of the United States.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1664.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57308	46 App.:1160(g).	June 29, 1936, ch. 858, title V, § 510(g), as added Aug. 4, 1939, ch. 417, § 7, 53 Stat. 1185; Pub. L. 86–518, § 1, June 12, 1960, 74 Stat. 216; Pub. L. 97–31, § 12(91), Aug. 6, 1981, 95 Stat. 161.

The words “and vessels presently in the Secretary’s laid-up fleet which are or become twenty-five years old or more” and “or any such vessel in the laid-up fleet” are omitted as obsolete. In paragraph (2), the words “for the employment of the Secretary’s vessels in steamship lines” are omitted as unnecessary.

CHAPTER 575—CONSTRUCTION, CHARTER, AND SALE OF VESSELS

SUBCHAPTER I—GENERAL

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Sec.

SUBCHAPTER II—CHARTERS

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SUBCHAPTER III—MISCELLANEOUS

57531.	Construction and charter of vessels for unsuccessful routes.
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SUBCHAPTER I—GENERAL

§ 57501. Completion of long-range program

Whenever the Secretary of Transportation determines that the objectives and policies declared in sections 50101 and 50102 of this title cannot be fully realized within a reasonable time under titles V and VI of the Merchant Marine Act, 1936, and the President approves the determination, the Secretary, in accordance with this chapter, shall complete the long-range program described in section 50102 of this title.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1664.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57501	46 App.:1191.	June 29, 1936, ch. 858, title VII, § 701, 49 Stat. 2008; Pub. L. 97–31, § 12(103), Aug. 6, 1981, 95 Stat. 162.

The words “find and”, “finding and”, “in whole or in part”, and “previously adopted” are omitted as unnecessary. The word “shall” is substituted for “is authorized and directed to” to eliminate unnecessary words.

REFERENCES IN TEXT

The Merchant Marine Act, 1936, referred to in text, is act June 29, 1936, ch. 858, 49 Stat. 1985. Titles V and VI of the Act enacted provisions set out as notes under section 53101 of this title. For complete classification of this Act to the Code, see Short Title of 1936 Amendment note set out under section 101 of this title and Tables.

§ 57502. Construction, reconditioning, and remodeling of vessels

(a) IN GENERAL.—The Secretary of Transportation may have new vessels constructed, and have old vessels reconditioned or remodeled, as the Secretary determines necessary to carry out the objectives of this subtitle.

(b) PLACE OF WORK.—Construction, reconditioning, and remodeling of vessels under subsection (a) shall take place in shipyards in the continental United States (including Alaska and Hawaii). However, if satisfactory contracts cannot be obtained from private shipbuilders, the Secretary may have the work done in navy yards.

(c) APPLICABILITY OF CONSTRUCTION-DIFFERENTIAL SUBSIDY PROVISIONS.—Contracts for the construction, reconstruction, or reconditioning

of a vessel by a private shipbuilder under this chapter are subject to the provisions of title V of the Merchant Marine Act, 1936, applicable to a contract with a private shipbuilder for the construction of a vessel under title V of that Act.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1664.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57502(a), (b)	46 App.:1192.	June 29, 1936, ch. 858, title VII, §702, 49 Stat. 2008; Pub. L. 85–191, Aug. 28, 1957, 71 Stat. 471; Pub. L. 86–624, §35(c), July 12, 1960, 74 Stat. 421; Pub. L. 97–31, §12(104), Aug. 6, 1981, 95 Stat. 162.
57502(c)	46 App.:1193(b).	June 29, 1936, ch. 858, title VII, §703(b), 49 Stat. 2008.

In subsection (b), the words “for such new construction or reconstruction, in accordance with the provisions of this chapter” are omitted as unnecessary.

REFERENCES IN TEXT

The Merchant Marine Act, 1936, referred to in subsec. (c), is act June 29, 1936, ch. 858, 49 Stat. 1985. Title V of the Act enacted provisions set out as notes under section 53101 of this title. For complete classification of this Act to the Code, see Short Title of 1936 Amendment note set out under section 101 of this title and Tables.

§ 57503. Competitive bidding

(a) ADVERTISEMENT AND BIDDING.—The Secretary of Transportation may make a contract with a private shipbuilder for the construction of a new vessel, or for the reconstruction or reconditioning of an existing vessel, only after due advertisement and upon sealed competitive bids.

(b) OPENING OF BIDS.—Bids required under this section shall be opened at the time and place stated in the advertisement for bids. All interested persons, including representatives of the press, shall be permitted to attend. The results of the bidding shall be publicly announced.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1665.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57503(a)	46 App.:1193(a).	June 29, 1936, ch. 858, title VII, §703(a), (c) (related to construction, reconstruction, or reconditioning), 49 Stat. 2008; Pub. L. 97–31, §12(105), Aug. 6, 1981, 95 Stat. 163.
57503(b)	46 App.:1193(c) (related to construction, reconstruction, or reconditioning).	

In subsection (b), the words “Bids required under this section” are substituted for “All bids required by the Secretary of Transportation for the construction, reconstruction, or reconditioning of vessels” to eliminate unnecessary words. The word “hour” is omitted as covered by “time”.

§ 57504. Charter or sale of vessels acquired by Department of Transportation

Vessels transferred to or otherwise acquired by the Department of Transportation in any manner may be chartered or sold by the Sec-

retary of Transportation as provided in this chapter.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1665.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57504	46 App.:1194.	June 29, 1936, ch. 858, title VII, §704, 49 Stat. 2008; Apr. 1, 1937, ch. 64, 50 Stat. 57; Pub. L. 97–31, §12(106), Aug. 6, 1981, 95 Stat. 163.

§ 57505. Employment of vessels on foreign trade routes

(a) IN GENERAL.—The Secretary of Transportation shall arrange for the employment of the Department of Transportation's vessels in steamship lines on such trade routes, exclusively serving the foreign trade of the United States, as the Secretary determines are essential for the development and maintenance of the commerce of the United States and the national defense. However, the Secretary shall first determine that those routes are not being adequately served by existing steamship lines privately owned and operated by citizens of the United States and documented under the laws of the United States.

(b) POLICY TO ENCOURAGE PRIVATE OPERATION.—The Secretary shall have a policy of encouraging private operation of each essential steamship line now owned by the United States Government by—

(1) selling the line to a citizen of the United States; or

(2) demising the Secretary's vessels on bareboat charter to citizens of the United States who agree to maintain the line in the manner provided in this chapter.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1665.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57505(a)	46 App.:1195 (1st sentence).	June 29, 1936, ch. 858, title VII, §705 (1st, 2d sentences), 49 Stat. 2009; Pub. L. 97–31, §12(107), Aug. 6, 1981, 95 Stat. 163.
57505(b)	46 App.:1195 (2d sentence).	

In subsection (a), the words “As soon as practicable after June 29, 1936, and continuing thereafter” are omitted as obsolete. The words “However, the Secretary shall first determine that those routes are not being adequately served” are substituted for “Provided, That such needs are not being adequately served” for clarity and because provisos are disfavored in modern drafting.

In subsection (b)(1), the words “in the manner provided in section 7 of the Merchant Marine Act, 1920 [46 App. U.S.C. 866], and in strict accordance with the provisions of section 5 of said Act” are omitted because section 5 of that Act was repealed in 1988, and section 7 is being repealed as obsolete by this bill without being restated.

§ 57506. Minimum selling price of vessels

(a) IN GENERAL.—A vessel constructed under this subtitle or the Merchant Marine Act, 1936, may not be sold by the Secretary of Transportation for less than the price specified in this section.

(b) OPERATION IN FOREIGN TRADE.—If the vessel is to be operated in foreign trade, the minimum price is the estimated foreign construction cost (exclusive of national defense features) determined as of the date the construction contract is executed, less depreciation under subsection (d).

(c) OPERATION IN DOMESTIC TRADE.—If the vessel is to be operated in domestic trade, the minimum price is the cost of construction in the United States (exclusive of national defense features), less depreciation under subsection (d).

(d) DEPRECIATION.—Depreciation under subsections (b) and (c) shall be based on—

(1) a 25-year life for dry-cargo and passenger vessels; and

(2) a 20-year life for tankers and other bulk liquid carrier vessels.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1665.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57506	46 App.:1195 (last sentence).	June 29, 1936, ch. 858, title VII, § 705 (last sentence), as added Aug. 4, 1939, ch. 417, § 11(a), 53 Stat. 1185; Pub. L. 86–518, § 1, June 12, 1960, 74 Stat. 216; Pub. L. 97–31, § 12(107), Aug. 6, 1981, 95 Stat. 163.
	46 App.:1125 note.	Pub. L. 86–518, § 9, June 12, 1960, 74 Stat. 217.

Subsection (d) is substituted for “less depreciation based on a twenty-five year life” because of section 9 of Public Law 86–518 (June 12, 1960, 74 Stat. 217), which provided that “Nothing in any amendment made by this Act [including section 1 substituting ‘twenty-five’ for ‘twenty’ in 46 App. U.S.C. 1195] shall operate or be interpreted to change from twenty to twenty-five years the provisions of the Merchant Marine Act, 1936, as amended, relating to the commercial expectancy or period of depreciation of any tanker or other liquid bulk carrier.”

REFERENCES IN TEXT

The Merchant Marine Act, 1936, referred to in subsection (a), is act June 29, 1936, ch. 858, 49 Stat. 1985, which enacted provisions set out as notes under section 53101 of this title. For complete classification of this Act to the Code, see Short Title of 1936 Amendment note set out under section 101 of this title and Tables.

SUBCHAPTER II—CHARTERS

§ 57511. Demise charters

A charter by the Secretary of Transportation under this chapter shall demise the vessel to the charterer subject to all usual conditions contained in a bareboat charter. The charter shall be for a term the Secretary considers to be in the best interest of the United States Government and the merchant marine.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1666.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57511	46 App.:1201.	June 29, 1936, ch. 858, title VII, § 711, 49 Stat. 2010; Pub. L. 97–31, § 12(113), Aug. 6, 1981, 95 Stat. 163.

The words “for a term the Secretary considers to be” are substituted for “until January 1, 1940, shall be for

terms of three years or less as the Secretary of Transportation may decide: *Provided*, That after January 1, 1940, charters may be executed by the Secretary of Transportation for such terms as the experience gained by the Secretary of Transportation shall indicate are” to eliminate unnecessary and obsolete words.

§ 57512. Competitive bidding

(a) IN GENERAL.—The Secretary of Transportation may charter a vessel of the Department of Transportation to a private operator only on the basis of competitive sealed bidding. The bids must be submitted in strict compliance with the terms and conditions of a public advertisement soliciting the bids.

(b) ADVERTISEMENT FOR BIDS.—An advertisement for bids shall state—

(1) the number, type, and tonnage of the vessels being offered for bareboat charter for operation as a steamship line on a designated trade route;

(2) the minimum number of sailings required;

(3) the length of time of the charter;

(4) the right of the Secretary to reject all bids; and

(5) other information the Secretary considers necessary for the information of prospective bidders.

(c) OPENING OF BIDS.—Bids required under this section shall be opened at the time and place stated in the advertisement for bids. All interested persons, including representatives of the press, shall be permitted to attend. The results of the bidding shall be publicly announced.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1666.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57512(a)	46 App.:1196(a) (1st sentence).	June 29, 1936, ch. 858, title VII, § 706(a), (b) (1st sentence related to announcement), 49 Stat. 2009; Pub. L. 97–31, § 12(108), Aug. 6, 1981, 95 Stat. 163.
57512(b)	46 App.:1196(a) (last sentence), (b) (1st sentence related to announcement).	
57512(c)	46 App.:1193(c) (related to chartering).	June 29, 1936, ch. 858, title VII, § 703(c) (related to chartering), 49 Stat. 2008; Pub. L. 97–31, § 12(105), Aug. 6, 1981, 95 Stat. 163.

Subsection (b)(4) is substituted for “announce in his advertisements for bids that the Secretary of Transportation reserves the right to, reject any and all bids submitted” in 46 App. U.S.C. 1196(b) to improve the organization.

In subsection (c), the words “Bids required under this section” are substituted for “All bids required by the Secretary of Transportation . . . and for the chartering of the Secretary’s vessels hereinafter provided for” to eliminate unnecessary words. The word “hour” is omitted as covered by “time”.

§ 57513. Minimum bid

The Secretary of Transportation shall reject any bid for the charter under this subchapter of a vessel constructed under this subtitle or the Merchant Marine Act, 1936, if the charter hire offered is lower than the minimum charter hire would be if the vessel were chartered under section 57531 of this title.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1666.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57513	46 App.:1196(b) (last sentence).	June 29, 1936, ch. 858, title VII, §706(b) (last sentence), as added Aug. 4, 1939, ch. 417, §11(b), 53 Stat. 1186; Pub. L. 97–31, §12(108), Aug. 6, 1981, 95 Stat. 163.

REFERENCES IN TEXT

The Merchant Marine Act, 1936, referred to in text, is act June 29, 1936, ch. 858, 49 Stat. 1985, which enacted provisions set out as notes under section 53101 of this title. For complete classification of this Act to the Code, see Short Title of 1936 Amendment note set out under section 101 of this title and Tables.

§ 57514. Qualifications of bidders

(a) CONSIDERATIONS.—In deciding whether to award a charter to a bidder, the Secretary of Transportation shall consider—

(1) the bidder's financial resources, credit standing, and practical experience in operating vessels; and

(2) other factors a prudent business person would consider in entering into a transaction involving a large capital investment.

(b) DISQUALIFICATIONS.—The Secretary may not charter a vessel to a person appearing to lack sufficient capital, credit, and experience to operate the vessel successfully over the period covered by the charter.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1666.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57514	46 App.:1203.	June 29, 1936, ch. 858, title VII, §713, 49 Stat. 2010; Pub. L. 97–31, §12(115), Aug. 6, 1981, 95 Stat. 164.

§ 57515. Awarding of charters

(a) IN GENERAL.—The Secretary of Transportation shall award the charter to the bidder proposing to pay the highest monthly charter hire. However, the Secretary may reject the highest or most advantageous or any other bid if the Secretary considers the charter hire offered too low or determines that the bidder lacks the qualifications required by section 57514 of this title.

(b) HIGHEST BID REJECTED.—If the Secretary rejects the highest bid, the Secretary may—

(1) award the charter to the next highest bidder; or

(2) reject all bids and either readvertise the line or operate the line until conditions appear more favorable to reoffer the line for private charter.

(c) REASON FOR REJECTION.—On request of a bidder, the reason for rejection shall be stated in writing to the bidder.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1667.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57515	46 App.:1196(b) (1st sentence related to authority). 46 App.:1197.	June 29, 1936, ch. 858, title VII, §706(b) (1st sentence related to authority), 707, 49 Stat. 2009; Pub. L. 97–31, §12(108), (109), Aug. 6, 1981, 95 Stat. 163.

In subsection (a), the words “if the Secretary considers the charter hire offered too low” are substituted for “if, in the Secretary’s discretion, the charter hire offered is deemed too low” to eliminate unnecessary words. The words “lacks the qualifications required by section 57514 of this title” are substituted for “lacks sufficient capital, credit, or experience to operate successfully the line” to avoid repeating the qualifications in more than one place.

§ 57516. Operating-differential subsidies

If the Secretary of Transportation considers it necessary, the Secretary may make a contract with a charterer of a vessel owned by the Secretary for payment of an operating-differential subsidy, on the same terms and conditions, and subject to the same limitations and restrictions, as otherwise provided with respect to payment of operating-differential subsidies to operators of privately-owned vessels.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1667.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57516	46 App.:1198.	June 29, 1936, ch. 858, title VII, §708, 49 Stat. 2009; June 23, 1938, ch. 600, §31, 52 Stat. 962; Pub. L. 97–31, §12(110), Aug. 6, 1981, 95 Stat. 163.

§ 57517. Recovery of excess profits

(a) IN GENERAL.—A charter under this chapter shall provide that if, at the end of a calendar year subsequent to the execution of the charter, the cumulative net voyage profit (after payment of the charter hire reserved in the charter and payment of the charterer's fair and reasonable overhead expenses applicable to operation of the chartered vessel) exceeds 10 percent a year of the charterer's capital necessarily employed in the business of the chartered vessel, the charterer shall pay to the Secretary of Transportation, as additional charter hire, half the cumulative net voyage profit in excess of 10 percent a year. However, any cumulative net voyage profit accounted for under this subsection is not to be included in the calculation of cumulative net voyage profit in any subsequent year.

(b) TERMS TO BE DEFINED AND USED.—The Secretary shall define the terms “net voyage profit”, “fair and reasonable overhead expenses”, and “capital necessarily employed” for this section. Each advertisement for bids and each charter shall contain these definitions, stating the formula for determining each of these three amounts.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1667.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57517	46 App.:1199.	June 29, 1936, ch. 858, title VII, § 709, 49 Stat. 2010; Pub. L. 97-31, § 12(111), Aug. 6, 1981, 95 Stat. 163.

§ 57518. Performance bond

The Secretary of Transportation shall require a charterer of a vessel of the Secretary to deposit with the Secretary an undertaking, with approved sureties, in such amount as the Secretary may require as security for the faithful performance of the terms of the charter, including indemnity against liens on the chartered vessel.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1667.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57518	46 App.:1200.	June 29, 1936, ch. 858, title VII, § 710, 49 Stat. 2010; Pub. L. 97-31, § 12(112), Aug. 6, 1981, 95 Stat. 163.

§ 57519. Insurance

A charter under this chapter shall require the charterer to carry, at the charterer's expense, insurance on the chartered vessel covering all marine and port risks, protection and indemnity risks, and all other hazards and liabilities, adequate to cover damages claimed against and losses sustained by the chartered vessel arising during the term of the charter. The insurance shall be in such form, in such amount, and with such companies as the Secretary of Transportation may require. In accordance with law, any of the insurance risks may be underwritten by the Secretary.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1667.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57519	46 App.:1202(a).	June 29, 1936, ch. 858, title VII, § 712(a), 49 Stat. 2010; Aug. 7, 1939, ch. 555, § 1, 53 Stat. 1254; Pub. L. 97-31, § 12(114), Aug. 6, 1981, 95 Stat. 163.

§ 57520. Vessel maintenance

(a) IN GENERAL.—A charter under this chapter shall require the charterer, at the charterer's expense, to—

- (1) keep the chartered vessel in good repair and efficient operating condition; and
- (2) make any repairs required by the Secretary of Transportation.

(b) INSPECTION.—The charter shall provide that the Secretary has the right to inspect the vessel at any time to ascertain its condition.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1668.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57520	46 App.:1202(b), (c).	June 29, 1936, ch. 858, title VII, § 712(b), (c), 49 Stat. 2010; Aug. 7, 1939, ch. 555, § 1, 53 Stat. 1254; Pub. L. 97-31, § 12(114), Aug. 6, 1981, 95 Stat. 163.

§ 57521. Termination of charter during national emergency

A charter under this chapter shall provide that during a national emergency proclaimed by the President or a period for which the President has proclaimed that the security of the national defense makes it advisable, the Secretary of Transportation may terminate the charter without cost to the United States Government on such notice to the charterer as the President determines.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1668.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57521	46 App.:1202(d).	June 29, 1936, ch. 858, title VII, § 712(d), 49 Stat. 2010; Aug. 7, 1939, ch. 555, § 1, 53 Stat. 1254; Pub. L. 97-31, § 12(114), Aug. 6, 1981, 95 Stat. 163.

SUBCHAPTER III—MISCELLANEOUS

§ 57531. Construction and charter of vessels for unsuccessful routes

(a) IN GENERAL.—If the Secretary of Transportation finds that a trade route determined to be essential under section 50103 of this title cannot be successfully developed and maintained and the Secretary's replacement program cannot be achieved under private operation of the trade route by a citizen of the United States with vessels documented under chapter 121 of this title, without further aid by the United States Government in addition to the financial aid authorized under titles V and VI of the Merchant Marine Act, 1936, the Secretary, without advertisement or competition, may—

(1) have constructed, in private shipyards or in navy yards, vessels of the types necessary for the trade route; and

(2) demise charter those new vessels to the operator of vessels of the United States established on the trade route.

(b) AMOUNT OF CHARTER HIRE.—

(1) IN GENERAL.—The annual charter hire under subsection (a) shall be at least 4 percent of the price (referred to in this section as the "foreign cost") at which the vessel would be sold if constructed under title V of the Merchant Marine Act, 1936, plus—

(A) a percentage of the depreciated foreign cost computed annually determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the Government with remaining periods to maturity comparable to the term of the charter, adjusted to the nearest one-eighth percent; and

(B) an allowance adequate in the judgment of the Secretary of Transportation to cover administrative costs.

(2) DEPRECIATION.—Depreciation under paragraph (1)(A) shall be based on—

(A) a 25-year life for dry-cargo and passenger vessels; and

(B) a 20-year life for tankers and other bulk liquid carrier vessels.

(c) OPTION TO PURCHASE.—The charter may contain an option to the charterer to purchase the vessels from the Secretary of Transportation within 5 years after delivery under the charter, on the same terms and conditions as provided in title V of the Merchant Marine Act, 1936, for the purchase of new vessels from the Secretary. However—

(1) the purchase price shall be the foreign cost less depreciation to the date of purchase based on the useful life specified in subsection (b)(2);

(2) the required cash payment payable at the time of the purchase shall be 25 percent of the purchase price;

(3) the charter may provide that any part of the charter hire paid in excess of the minimum charter hire provided for in this section may be credited against the cash payment payable at the time of the purchase;

(4) the balance of the purchase price shall be paid within the remaining years of useful life (as specified in subsection (b)(2)) after the date of delivery of the vessel under the charter and in approximately equal annual installments, except that the first installment, which shall be payable on the next ensuing anniversary date of the delivery under the charter, shall be a proportionate part of the annual installment; and

(5) interest shall be payable on the unpaid balances from the date of purchase, at a rate not less than—

(A) a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the Government with remaining periods to maturity comparable to the average maturities of the loans, adjusted to the nearest one-eighth percent; plus

(B) an allowance adequate in the judgment of the Secretary of Transportation to cover administrative costs.

(d) OPERATION OF VESSEL.—

(1) PERMISSIBLE VOYAGES.—The charter shall provide for operation of the vessel exclusively—

(A) in foreign trade;

(B) on a round-the-world voyage;

(C) on a round voyage from the west coast of the United States to a European port that includes an intercoastal port of the United States;

(D) on a round voyage from the Atlantic coast of the United States to the Orient that includes an intercoastal port of the United States; or

(E) on a voyage in foreign trade on which the vessel may stop at Hawaii or an island territory or possession of the United States.

(2) DOMESTIC TRADE.—The charter shall provide if the vessel is operated in domestic trade on any of the services specified in paragraph (1), the charterer will pay annually to the Secretary of Transportation that proportion of $\frac{1}{25}$ of the difference between the domestic and foreign cost of the vessel as the gross revenue derived from the domestic trade bears to the gross revenue derived from the entire voyages completed during the preceding year.

(Pub. L. 109-304, § 8(c), Oct. 6, 2006, 120 Stat. 1668.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57531	46 App.:1204.	June 29, 1936, ch. 858, title VII, § 714, 49 Stat. 2011; June 23, 1938, ch. 600, § 32, 52 Stat. 962; Aug. 4, 1939, ch. 417, § 12, 53 Stat. 1186; Pub. L. 86-3, § 18(b)(3), Mar. 18, 1959, 73 Stat. 12; Pub. L. 86-518, § 5, June 12, 1960, 74 Stat. 216; Pub. L. 91-469, § 22, Oct. 21, 1970, 84 Stat. 1032; Pub. L. 97-31, § 12(116), Aug. 6, 1981, 95 Stat. 164.

In subsection (a)(2), the words “demise charter” are substituted for “demise . . . or bare-boat charter” to eliminate unnecessary words. The words “operator of vessels of the United States” are substituted for “American-flag operator” for consistency in the revised title.

Subsection (b)(2) is substituted for “Upon the basis of a twenty-five year life of the vessel” because of section 9 of Public Law 86-518 (June 12, 1960, 74 Stat. 217), which provided that “Nothing in any amendment made by this Act [including section 5 substituting ‘twenty-five’ for ‘twenty’ in 46 App. U.S.C. 1204] shall operate or be interpreted to change from twenty to twenty-five years the provisions of the Merchant Marine Act, 1936, as amended, relating to the commercial expectancy or period of depreciation of any tanker or other liquid bulk carrier.”

In subsection (c), in paragraphs (1) and (4), references to the useful life specified in subsection (b)(2) are substituted for references to the twenty-five year useful life for the reason stated in explaining subsection (b)(2).

REFERENCES IN TEXT

The Merchant Marine Act, 1936, referred to in subsecs. (a), (b)(1), (c), is act June 29, 1936, ch. 858, 49 Stat. 1985. Titles V and VI of the Act enacted provisions set out as notes under section 53101 of this title. For complete classification of this Act to the Code, see Short Title of 1936 Amendment note set out under section 101 of this title and Tables.

§ 57532. Operation of experimental vessels

(a) DEFINITION.—In this section, the term “experimental vessel” means a vessel owned by the United States Government (including a vessel in the National Defense Reserve Fleet) that has been constructed, reconditioned, or remodeled for experimental or testing purposes.

(b) AUTHORITY TO OPERATE.—The Secretary of Transportation, for the purpose of practical development, trial, and testing, may operate an experimental vessel under a bareboat charter or general agency agreement in the foreign or domestic trade of the United States or for use for the account of a department or agency of the Government, without regard to other provisions of this subtitle and other laws related to char-

tering and general agency operations. Not more than 10 vessels may be operated and tested under this section in any one year.

(c) **TERMS OF OPERATION.**—Operation of a vessel under this section shall be on terms the Secretary considers appropriate to carry out the purposes of this subtitle. A bareboat charter under this section shall be at reasonable rates and include restrictions the Secretary considers appropriate to protect the public interest, including provisions for recapture of profits under section 57517 of this title. A charter or general agency agreement under this section shall be reviewed annually to determine whether conditions exist to justify continuance of the charter or agreement.

(d) **RIGHTS OF SEAMEN.**—A seaman engaged in vessel operations of the Secretary under this section and employed through a general agent in connection with a charter or agreement under this section is entitled to all the rights and remedies provided in sections 1(a) and (c), 3(c), and 4 of the Act of March 24, 1943 (50 App. U.S.C. 1291(a), (c), 1293(c), 1294).

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1670.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57532	46 App.:1205.	June 29, 1936, ch. 858, title VII, § 715, as added July 11, 1956, ch. 574, 70 Stat. 531; Pub. L. 97–31, § 12(117), Aug. 6, 1981, 95 Stat. 164.

Subsection (d) is substituted for “Those provisions of law prescribed or incorporated under section 1241a of this Appendix, which relate to vessel operating activities of the Secretary of Transportation and to employment of seamen through general agents, shall be applicable in connection with charters and agreements entered into under this section” for clarity.

PART G—RESTRICTIONS AND PENALTIES

CHAPTER 581—RESTRICTIONS AND PENALTIES

<i>Sec.</i>	
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§ 58101. Operating in domestic intercoastal or coastwise service

(a) **PROHIBITION.**—A subsidy may not be awarded or paid to a contractor under the operating-differential subsidy program, and a vessel may not be chartered to a person under chapter 575 of this title, if the contractor or charterer, or a holding company, subsidiary, affiliate, or associate of the contractor or charterer, or an officer,

director, agent, or executive thereof, directly or indirectly—

(1) owns, charters, or operates a vessel engaged in the domestic intercoastal or coastwise service; or

(2) owns a pecuniary interest in a person that owns, charters, or operates a vessel in the domestic intercoastal or coastwise service.

(b) **WAIVER.**—A person may apply to the Secretary of Transportation for a waiver of subsection (a). Before deciding on the waiver, the Secretary shall give the applicant and other interested persons an opportunity for a hearing. The Secretary may not grant the waiver if the Secretary finds it would—

(1) result in unfair competition to a person operating exclusively in the domestic intercoastal or coastwise service; or

(2) be prejudicial to the objectives and policy of this subtitle.

(c) **CONTINUOUS OPERATION SINCE 1935.**—The Secretary shall grant an application under subsection (b) without requiring further proof that the public interest and convenience will be served and without further proceedings as to the competition in the route or trade, if the contractor or other person, or a predecessor in interest, was in bona-fide operation as a common carrier by water in the domestic intercoastal or coastwise trade in 1935 over the route or in the trade for which the application is made and has so operated since that time or, if engaged in furnishing seasonal service only, was in bona-fide operation in 1935 during the season ordinarily covered by its operation, except in either event as to interruptions of service over which the applicant or its predecessor in interest had no control.

(d) **DIVERSION INTO INTERCOASTAL OR COASTWISE OPERATIONS.**—If an application under subsection (b) is approved, a person referred to in this section may not divert, directly or indirectly, money, property, or any other thing of value, used in a foreign-trade operation for which a subsidy is paid by the United States Government, into intercoastal or coastwise operations.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1670.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
58101	46 App.:1223(a).	June 29, 1936, ch. 858, title VIII, § 805(a), 49 Stat. 2012; Pub. L. 97–31, § 12(122), Aug. 6, 1981, 95 Stat. 164; Pub. L. 104–239, § 4(b)(1), Oct. 8, 1996, 110 Stat. 3131.

In this chapter, references to the “operating-differential subsidy program” are substituted for references to “part A of subchapter VI of this chapter”, meaning 46 App. U.S.C. 1171–1185a, because part A of subchapter VI contains the operating-differential subsidy program and under 46 App. U.S.C. 1185a that program is being phased out. Consequently, part A is being omitted from the revised title and will instead appear as a note under section 53101, except for 46 App. U.S.C. 1177 and 1177–l which are restated in chapter 535. References to “chapter 575 of this title” are substituted for references to “subchapter VII of this chapter”, meaning 46 App. U.S.C. 1191–1205, because those sections are restated in chapter 575.

In subsection (b), the words “A person may apply to the Secretary of Transportation for a waiver of subsection (a). Before deciding on the waiver, the Secretary shall give the applicant and other interested persons an opportunity for a hearing.” are substituted for “without the written permission of the Secretary of Transportation. Every person, firm, or corporation having any interest in such application shall be permitted to intervene and the Secretary of Transportation shall give a hearing to the applicant and the intervenors.” for clarity.

In subsection (c), the words “domestic intercoastal or coastwise trade” are substituted for “domestic, intercoastal, or coastwise trade” for consistency in the section.

In subsection (d), the words “and whosoever shall violate this provision shall be guilty of a misdemeanor” are omitted because section 3559 of title 18 provides for the classification of offenses. See the revision notes for section 58109 of the revised title.

§ 58102. Default on payment or maintenance of reserves

The Secretary of Transportation may supervise the number and compensation of all officers and employees of a contractor under the operating-differential subsidy program or a charterer under chapter 575 of this title, receiving an operating-differential subsidy, if the contractor or charterer—

(1) is in default on a mortgage, note, purchase contract, or other obligation to the Secretary; or

(2) has not maintained, in a manner satisfactory to the Secretary, all of the reserves provided for in this subtitle.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1671.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
58102	46 App.:1223(b).	June 29, 1936, ch. 858, title VIII, § 805(b), 49 Stat. 2012; Pub. L. 97–31, § 12(122), Aug. 6, 1981, 95 Stat. 164; Pub. L. 104–239, § 4(b)(2), Oct. 8, 1996, 110 Stat. 3131.

The words “contractor under the operating-differential subsidy program or a charterer under chapter 575 of this title, receiving an operating-differential subsidy” are substituted for “contractor under part A of subchapter VI of this chapter or subchapter VII of this chapter receiving an operating-differential subsidy” for the reasons explained under section 58101.

§ 58103. Employing another person as managing or operating agent

(a) PROHIBITION.—Except with the written consent of the Secretary of Transportation, a contractor holding a contract under the operating-differential subsidy program or under chapter 575 of this title may not—

(1) employ another person as the managing or operating agent of the operator; or

(2) charter a vessel, on which an operating-differential subsidy is to be paid, for operation by another person.

(b) APPLICABILITY OF PROVISIONS TO CHARTERER.—If a charter prohibited by this section is made, the person operating the chartered vessel is subject to all the provisions of this subtitle and the operating-differential subsidy program, including limitations of profits and salaries.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1671.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
58103	46 App.:1223(d).	June 29, 1936, ch. 858, title VIII, § 805(d), 49 Stat. 2013; June 23, 1938, ch. 600, §§ 36, 37, 52 Stat. 963; Pub. L. 91–603, § 4(e), Dec. 31, 1970, 84 Stat. 1675; Pub. L. 97–31, § 12(122), Aug. 6, 1981, 95 Stat. 164; Pub. L. 104–239, § 4(b)(2), Oct. 8, 1996, 110 Stat. 3131.

In subsection (a), the words “contractor holding a contract under the operating-differential subsidy program or under chapter 575 of this title” are substituted for “contractor holding a contract authorized under part A of subchapter VI or VII of this chapter” for the reasons explained under section 58101.

§ 58104. Willful violation constitutes breach of contract or charter

A willful violation of any provision of sections 58101–58103 of this title constitutes a breach of the contract or charter. On determining that a violation has occurred, the Secretary of Transportation may declare the contract or charter rescinded.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1672.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
58104	46 App.:1223(f).	June 29, 1936, ch. 858, title VIII, § 805(f), 49 Stat. 2014; Pub. L. 97–31, § 12(122), Aug. 6, 1981, 95 Stat. 164.

The words “in force under this chapter” and “forthwith” are omitted as unnecessary. The words “and any person willfully violating the provisions of this section shall be guilty of a misdemeanor” are omitted because section 3559 of title 18 provides for the classification of offenses. See the revision notes for section 58109 of the revised title.

§ 58105. Preferences for cargo in which charterer has interest

A contractor receiving an operating-differential subsidy, or a charterer under chapter 575 of this title, may not unjustly discriminate in any manner so as to give preference, directly or indirectly, to cargo in which the contractor or charterer has a direct or indirect ownership, purchase, or vending interest.

(Pub. L. 109–304, § 8(c), Oct. 6, 2006, 120 Stat. 1672.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
58105	46 App.:1226.	June 29, 1936, ch. 858, title VIII, § 808, 49 Stat. 2015.

The words “and whosoever shall violate this provision shall be guilty of a misdemeanor” are omitted because section 3559 of title 18 provides for the classification of offenses. See the revision notes for section 58109 of the revised title.

§ 58106. Concerted discriminatory activities

(a) PROHIBITION.—A contractor receiving an operating-differential subsidy, or a charterer

under chapter 575 of this title, may not continue as a party to or conform to an agreement with another carrier by water, or engage in a practice in concert with another carrier by water, that is unjustly discriminatory or unfair to any other citizen of the United States operating a common carrier by water employing only vessels documented under the laws of the United States on an established trade route from and to a United States port.

(b) GOVERNMENT PAYMENT PROHIBITED.—No payment or subsidy of any kind may be paid, directly or indirectly, out of funds of the United States Government to a contractor or charterer that has violated subsection (a).

(c) CIVIL ACTION.—A person whose business or property is injured by a violation of subsection (a) may bring a civil action in the district court of the United States for the district in which the defendant resides, is found, or has an agent. If the person prevails, the person shall be awarded—

- (1) 3 times the damages; and
- (2) costs, including reasonable attorney fees.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1672.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
58106	46 App.:1227.	June 29, 1936, ch. 858, title VIII, §810, 49 Stat. 2015.

In subsection (b), the words “United States Government” are substituted for “United States or any agency of the United States” for consistency and to eliminate unnecessary words.

In subsection (c), the words “bring a civil action” are substituted for “sue” for consistency in the revised title. The words “without respect to the amount in controversy” are omitted because section 1331 of title 28 no longer contains a requirement of any particular amount in controversy for jurisdiction of civil actions arising under the laws of the United States. The words “If the person prevails” are added for clarity.

§ 58107. Discrimination at ports by water common carriers

(a) PROHIBITION.—A common carrier by water may not, directly or indirectly, through an agreement, conference, association, understanding, or otherwise, prevent or attempt to prevent any other common carrier by water from serving any port described in subsection (b) at the same rates the first carrier charges at the nearest port already regularly served by it.

(b) PORTS.—A port referred to in subsection (a) is one that is—

- (1) designed for the accommodation of ocean-going vessels;
- (2) located on an improvement project authorized by law or by a Federal agency; and
- (3) located within the continental limits of the United States.

(c) OTHER AUTHORITY NOT LIMITED.—This section does not limit the authority otherwise vested in the Secretary of Transportation and the Federal Maritime Commission.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1672.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
58107	46 App.:1115.	June 29, 1936, ch. 858, title II, §205, 49 Stat. 1987; Pub. L. 97–31, §12(62), Aug. 6, 1981, 95 Stat. 159.

§ 58108. Charges for transportation subject to subtitle IV of title 49

(a) PROHIBITION.—A carrier may not charge, collect, or receive for transportation subject to subtitle IV of title 49 of persons or property, under any joint rate, fare, or charge, or under any export, import, or other proportional rate, fare, or charge, that is based in whole or in part on the fact that the persons or property affected are to be transported to, or have been transported from, a port in a territory or possession of the United States or in a foreign country, by a carrier by water in foreign commerce, any lower rate, fare, or charge than the carrier charges, collects, or receives for the transportation of persons or similar property for the same distance, in the same direction, and over the same route, in commerce wholly within the United States, unless the vessel used for the transportation is or was at the time of the transportation documented under the laws of the United States.

(b) SUSPENSION OF PROHIBITION.—Whenever the Secretary of Transportation believes that adequate shipping facilities to or from any port in a territory or possession of the United States or a foreign country are not being provided by vessels documented under the laws of the United States, the Secretary shall certify this fact to the Surface Transportation Board. On receiving the certification, the Board may by order suspend the operation of subsection (a) with respect to the rates, fares, and charges for the transportation by rail of persons and property transported from or to be transported to those ports, for such time and under such terms and conditions as the Secretary may specify in the order or in any supplemental order.

(c) TERMINATION OF SUSPENSION.—Whenever the Secretary believes that adequate shipping facilities are being provided to those ports by vessels documented under the laws of the United States, and certifies that fact to the Board, the Board may order the termination of the suspension.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1673.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
58108	46 App.:884.	June 5, 1920, ch. 250, §28, 41 Stat. 999; Ex. Ord. No. 6166, §12, eff. June 10, 1933; June 29, 1936, ch. 858, §§204, 904, 49 Stat. 1987, 2016; Pub. L. 97–31, §12(50), Aug. 6, 1981, 95 Stat. 157; Pub. L. 104–88, title III, §321(3), Dec. 29, 1995, 109 Stat. 950.

The words “territory or possession” are substituted for “possession or dependency” for consistency in the revised title.

§ 58109. Penalties

(a) **INDIVIDUALS.**—An individual convicted of violating section 58101(d), 58103, or 58105 of this title shall be fined under title 18, imprisoned for at least one year but not more than 5 years, or both.

(b) **ORGANIZATIONS.**—An organization convicted of committing an act prohibited by this subtitle shall be fined under title 18.

(c) **INELIGIBILITY TO RECEIVE BENEFITS.**—An individual or organization convicted of violating a section referred to in subsection (a) is ineligible, at the discretion of the Secretary of Transportation, to receive any benefit under the construction-differential subsidy or operating-differential subsidy programs, or a charter under chapter 575 of this title, for 5 years after the conviction.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1673.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
58109	46 App.:1228 (1st, 2d pars.).	June 29, 1936, ch. 858, title VIII, §806(b), (c), 49 Stat. 2014; Pub. L. 97–31, §12(125), Aug. 6, 1981, 95 Stat. 164.

In subsection (a), the word “individual” is substituted for “natural person” for consistency in the revised title. The words “convicted of violating section 58101(d), 58103, or 58105 of this title” are substituted for “found guilty of any act or acts declared in this chapter to constitute a misdemeanor” because the sections referred to restate the provisions which declare certain acts to be misdemeanors and because the restatement of those provisions does not use the word “misdemeanor”. The words “in any district court of the United States” are omitted as unnecessary. The words “shall be fined under title 18, imprisoned for at least one year but not more than five years, or both” are substituted for “shall be punished by a fine of not more than \$10,000, or by imprisonment for not less than one year or more than five years, or by both fine and imprisonment” because of chapter 227 of title 18. See 18 U.S.C. 3559 (which classifies offenses based on the maximum term of imprisonment) and 3571 (which establishes fines based on those classifications).

In subsection (b), the word “organization” is substituted for “corporation” to reflect the probable intent that the penalty should apply to other organizations in addition to corporations. The words “convicted of committing an act prohibited by this subtitle” are substituted for “found guilty of any act or acts declared in this chapter to be unlawful” for clarity and consistency. The words “shall be fined under title 18” are substituted for “shall be punished by a fine of not more than \$25,000” for consistency with subsection (a).

In subsection (c), the words “An individual or organization convicted of violating a section referred to in subsection (a)” are substituted for “any person or corporation convicted of a misdemeanor under the provisions of this chapter” for consistency in the section. Reference to the Federal Maritime Commission is omitted because the Commission does not administer any of the provisions referred to.

Subtitle VI—Clearance, Tonnage Taxes, and Duties

Chapter

601. Arrival and Departure Requirements	60101
603. Tonnage Taxes and Light Money	60301

Chapter

Sec.

605. Discriminating Duties and Reciprocal Privileges	60501
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PRIOR PROVISIONS

A prior subtitle VI, consisting of chapter 701, was redesignated subtitle VII of this title by Pub. L. 109–241, title IX, §901(k)(1), July 11, 2006, 120 Stat. 564. An identical amendment was made by Pub. L. 109–304, §9(a), Oct. 6, 2006, 120 Stat. 1674.

CHAPTER 601—ARRIVAL AND DEPARTURE REQUIREMENTS

Sec.

60101.	Boarding arriving vessels before inspection.
60102.	Production of certificate on entry.
60103.	Oath of ownership on entry.
60104.	Depositing certificates of documentation with consular officers.
60105.	Clearance of vessels.
60106.	State inspection laws.
60107.	Payment of fees on departing vessel.
60108.	Duty to transport tendered cargo.
60109.	Duty to transport money and securities of the United States Government.

§ 60101. Boarding arriving vessels before inspection

(a) **REGULATIONS.**—The Secretary of Homeland Security shall prescribe and enforce regulations on the boarding of a vessel arriving at a port of the United States before the vessel has been inspected and secured.

(b) **CRIMINAL PENALTY.**—A person violating a regulation prescribed under this section shall be fined under title 18, imprisoned for not more than 6 months, or both.

(c) **RELATIONSHIP TO OTHER LAW.**—This section shall be construed as supplementary to section 2279 of title 18.

(Pub. L. 109–304, §9(b), Oct. 6, 2006, 120 Stat. 1674.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
60101	46 App.:163.	Mar. 31, 1900, ch. 120, §§1–3, 31 Stat. 58.

In subsection (a), the Secretary of Homeland Security is substituted for the Commissioner of Customs because the functions of the Customs Service and of the Secretary of the Treasury relating thereto were transferred to the Secretary of Homeland Security by section 403(1) of the Homeland Security Act of 2002 (Pub. L. 107–296, 116 Stat. 2178). The functions of the Commissioner of Customs previously were vested in the Secretary of the Treasury under section 321(c) of title 31. For prior related transfers of functions, see the transfer of functions note under 46 App. U.S.C. 163. The word “shall” is substituted for “is authorized and directed to” for consistency in the revised title and to eliminate unnecessary words. The word “port” is substituted for “seaports” for consistency in the revised title. The word “secured” is substituted for “placed in security” to eliminate unnecessary words. The words “from time to time”, “properly”, and “and for that purpose to employ any of the officers of the United States Customs Service” are omitted as unnecessary.

In subsection (b), the words “fined under title 18, imprisoned for not more than 6 months, or both” are substituted for “subject to a penalty of not more than \$100 or imprisonment not to exceed six months, or both” because of chapter 227 of title 18. The words “in the discretion of the court” are omitted as unnecessary.

In subsection (c), the words “section 2279 of title 18” are substituted for “section forty-six hundred and six